Universal Basic Income and the Cost Objection: What are we Waiting For?

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Abstract

Among the most common objections to providing everyone with an unconditional basic income is the cost objection. It states that the cost of providing everyone with a decent income floor, beneath which no one would fall, is out of reach for governments and public finance. Income taxes would have to be raised to unacceptable levels to accomplish this, the objection claims. This paper addresses the objection by demonstrating its weaknesses and showing that a universal basic income is affordable. It is in fact more affordable than the current wasteful array of often counter-productive, bureaucratic income security programs. Better results can be achieved with lower costs by implementing basic income, or a guaranteed livable income. This study does not seek any cuts to vital public programs such as universal health care or education to attain the result of a basic income sufficient to cover one’s needs for food, modest shelter etc. at all times. Personal income taxes are not raised in this proposal and they could even be cut, while improving health outcomes for individuals and reducing health burdens upon the current system resulting from a presently dysfunctional, outdated income security model.

Keywords: universal basic income, guaranteed income, demogrant, negative income tax, program redundancy, income security

Introduction

An unconditional, universal income sufficient to cover one’s basic needs is an old idea that is resurfacing again and gaining some momentum. New forms of precarious employment, technological advances and displacement of workers by robotics, and large-scale offshoring of jobs resulting in record company profits and simultaneous catastrophic income loss for others are among some of the reasons people use to justify the concept of universal basic income (UBI) today. Originally, when the idea first surfaced and gained significant support in North America, it was tested on different segments of the population. At that time the big concern for some people – particularly in the U.S. – was work ethic. Wouldn’t people drop out of the labour-market in large numbers if they received a UBI (or “guaranteed income” as it was called then)? This notion was the primary focus of the UBI experiments of the 1960s and 70s conducted by the American and Canadian governments. Forget (2011a, 2011b) and Steensland (2008) demonstrate how the results of these experiments undermined the work ethic objection to UBI. This paper will focus on the other main objection to UBI, on which significantly less work and detailed analysis has been carried out.

This study demonstrates that a universal basic income or guaranteed income at a level sufficient to cover essential needs (at the official poverty line or higher) is affordable. It provides a response to a popular objection by many writers who claim otherwise. Their objection is based on inadequate and/or misleading information. This will be demonstrated by analysis of influential publications in the Canadian context, as well as investigating the basis of the objection in more general, non-geographically specific terms. No cuts to vital public programs such as health, education, legal aid etc. are sought in this study. Only program redundancies (sometimes full programs and partial redundancies in other cases) resulting from implementation of UBI are identified, along with other public revenue losses that can be better directed to UBI. The result is to improve the resiliency of health service delivery and access to education, while ensuring universal income security at reduced public cost.

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2 A rich technical and philosophical literature on work ethic related to UBI exists. In addition to the authors mentioned above, a more philosophical literature can be accessed by exploring the debates between Van Parijs (1995) and White (1997), or the work of Widerquist (2006).
I will outline the cost objection to UBI in section 1 and I will then give several responses to this objection in section 2. In the first response to the cost objection (§ 2.1), I will highlight the savings possibilities of a UBI model in contrast to existing welfare models. The second response (§ 2.2) will address the claim that personal income taxes have to be raised to an unacceptable level to finance UBI by focusing on tax leakages in the existing system. Bureaucratic costs will then be considered separately as a wasteful element in the current welfare system (§ 2.3). This will offer additional financing to UBI. Section 2.4 considers other sources of financing, which could be relied on if required. These sources would not require us to raise personal income taxes (or taxes on labour income). This fourth response concentrates on existing economic externalities and free-riding, which if addressed can simultaneously improve the economy, social and health outcomes, and ecological sustainability while raising additional revenue for basic income. An appendix summarizing the findings on program redundancies and other savings commonly overlooked in the cost objection to UBI is included and can serve as a guide to the reader throughout the paper.

In proceeding through the study, incomplete calculations of UBI net costs by prominent authors will be evaluated critically. This allows me to conclude that a UBI at a decent level (at the poverty line or slightly higher, distributed to individuals) is feasible, does not require personal income tax increases and can even lead to personal income tax reductions.

1. The argument: “It is too expensive to give the entire population basic income”

The cost objection to UBI is one of the most persistent arguments against basic income encountered in the literature. It is often reinforced by advocates of UBI in different and unsubstantiated ways. Section 1.1 will briefly present the scale of this problem and objection more generally. A specific presentation of the objection will follow in section 1.2 based on a case study of one country. This will allow for illustration of major omissions in the objection to begin to surface. Recent Canadian studies that strongly put forth the cost objection will be featured with their most important arguments highlighted.

1.1 A common theme in the literature

Critics of UBI, and surprisingly many advocates of the proposal (both strong and weak advocates), claim the financial cost for a UBI at a decent level is out of reach. Critics ignore many savings and other aspects available with UBI implementation. Advocates often fall in to the trap of the critics’ incomplete arguments by accepting deficient cost assessments as valid. As a result, many UBI advocates claim that although they support the idea and see its many justifications, the cost issue makes it a distant reality or a barrier that necessitates UBI being introduced at such a low level that renders it almost meaningless.

In the case of Van Parijs (1995) – a strong advocate – he makes a novel and useful argument to surmount this artificial barrier, but it is needlessly complex. Readily available, non-controversial and numerous savings and funding sources exist as I shall demonstrate, and Van Parijs fails to properly consider these. He claims UBI will be insufficient unless society reconsiders jobs as collective ‘assets’; a potentially large new political project that may put off implementation of UBI for an unacceptable amount of time. White (1997) – a moderate/tentative advocate – agrees with Van Parijs that UBI will not be substantial without jobs being considered as collective assets (although White rejects this proposal).

Numerical justification is sorely lacking in these types of prominent cost assertions (Van Parijs 1995: 90, 103-06; White 1997: 315, 321-22, 326). This study rejects the critics’ cost objection as well as the weak positions of UBI advocates on the cost issue. Savings arising from implementation of UBI present a much greater amount of financing than both critics and most advocates seem to realize.

1.2 A country-specific illustration of the cost objection

In a major study produced for the Canadian Centre for Policy Alternatives (CCPA), a think tank supported by
the Canadian Labour Congress, unions and other “national progressive organizations”; 3 Margot Young (Associate Professor of Law, University of British Columbia) and James Mulvale (Associate Dean of the Faculty of Social Work, University of Regina) (2009: 24) provide such examples as to the cost of UBI, or GI (Guaranteed Income), for Canada:

Grants paid to Individuals (population data 2006)

<table>
<thead>
<tr>
<th>Program</th>
<th>Cost (billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grant of $15,000 per year paid to all individuals age 18 and over</td>
<td>$392</td>
</tr>
<tr>
<td>Grant of $15,000 per year to individuals age 18 and over, plus a demogrant of $4,000 per year for each child under 18</td>
<td>$418</td>
</tr>
<tr>
<td>Payments only to individuals and families below the poverty line to bring them up to the LICO (i.e. reduction of poverty to zero) (2003 data)</td>
<td>$21.5</td>
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With the exception of the third option, these are large numbers(138,333),(735,776) relative to the scale of the Canadian economy ($1.45 trillion GDP in 2006; over $44,000 for every man, woman and child in the country [Statistics Canada 2007a], and over $1.8 trillion GDP in 2013 [Statistics Canada 2013]3). In a separate section of their Table 1, below these intimidating numbers, Young and Mulvale (2009: 24) outline the “Cost of existing income security programs (2005).” These include Old Age Supplement, Child Tax Benefit, Provincial payments to individuals (e.g. income assistance) and four other items totalling $135 billion per year. The net cost of the “relatively generous guaranteed income option” above ($15,000 per adult, $4,000 per child) according to them is $286 billion, and they state that “It thus appears that a full-fledged version of guaranteed income is out of our immediate financial reach” (Young and Mulvale 2009: 25).

In a footnote at the end of the study linked to the $286 billion figure above (n 55), Young and Mulvale write that “This figure does not take account of the additional income tax that would be paid with a guaranteed income system in place. This additional revenue could lower the net cost of the benefit by 20 to 30 per cent” (Young and Mulvale 2009: 34). They do not specify where this additional income tax generation will come from; whether it is from the obvious fact that people’s incomes will be higher by the UBI amount, thus corresponding with a higher income tax bracket, or other possibilities in addition to this. And they do not provide the dollar figure of this lower net cost item, which is valued as high as $85.8 billion.5 Other possibilities for additional income tax generation are numerous with introduction of UBI and Young and Mulvale may therefore be underestimating this aspect. For example, Krozer (2010) explains the economic multiplier effect UBI will have through broadening and deepening endogenous consumption. The removal of labour-market work disincentives linked with existing welfare programs offers greater labour force participation and resulting increases in taxable income, as a second example. Emery et al. (2013: 11-14) provide additional reasons for why productivity and labour-force participation are currently depressed, which UBI/GAI is uniquely suited to address based on their results obtained from analysing other universal income security programs. Young and Mulvale’s total net cost for UBI could thus be reduced by up to $86 billion, and possibly more, on this point alone.6


4 Also, Canada’s underground economy is valued at over $40 billion annually, not including illegal activities such as drug trafficking and prostitution, with construction, finance, real estate, rental and leasing and holding companies making up the largest components of this unrecorded trade according to Statistics Canada (2014).

5 Thirty percent of $286 billion.

6 Clawback or supplemental tax back rates applied to UBI are not included here, and provide much higher net cost savings than 30 percent. Increasing amounts and forms of unpaid labour internationally (Perlin 2012; Pereira 2009) are also a problem UBI can mitigate, helping make currently unpaid (or underpaid) labour paid (or fairly paid) and thereby increasing personal income and income tax revenue. Other forms of taxes beyond income taxes are not taken into consideration by Young and Mulvale’s footnote comment, which includes increased consumption and other taxes when people have a UBI as opposed to much smaller – or no –
The LICO level Young and Mulvale use above is one measure of the poverty line (Low income cut-off), with its after tax level for a family of 1 person being approximately $15,000 for the comparable years of 2005 and 2006 (but as high as $17,570 in urban areas with populations of 500,000 and over). Families of 2 persons are deemed by Statistics Canada to have a poverty line income level (after tax) of approximately $18,000 per year under this measurement (but as high as $21,384 in urban areas with the largest populations). Families of 3 and 4 persons have poverty line income levels of approximately $22,000 and $27,000 respectively for 2005-06 (Statistics Canada 2007b: 18).

In his presentation to the North American Basic Income Guarantee Conference in Toronto in 2012, Jonathan Rhys Kesselman (Professor, School of Public Policy, Simon Fraser University and Canada Research Chair in Public Finance) made similar and stronger claims that a UBI is not feasible in Canada. In a subsequent essay Kesselman (2013) repeatedly claims the cost of implementing a UBI is “gargantuan” and leads off with an example of a benefit of $10,000 per capita. “With Canada’s population of 35 million” Kesselman writes, “the gross budgetary cost of this basic income clocks in at a massive $350 billion.” He states further:

Even offsetting this figure by eliminating seniors’ cash benefits and provincial welfare, the implied additional cost to taxpayers would be enormous… Income taxes on individuals and businesses as well as other taxes would need to be sharply increased. The general public would not tolerate such tax hikes… (Kesselman 2013: Sect. 4)

Kesselman’s numbers are repeated by others in the popular press. In a media article reporting on the 2012 Basic Income Congress in Toronto, a $380 billion figure is given as the cost for a universal GAI (Guaranteed Annual Income) in Canada based on Kesselman’s presentation (Ternette 2012). The article goes on to summarize Kesselman as stating that the cost “would require a 25 per cent increase in income tax on the highest earners. He said that would not be acceptable to Canadian taxpayers, recommended we forget about a GAI and instead improve our welfare state” (Ternette 2012). Similarly, CCPA Senior Economist and prominent Canadian anti-poverty activist Armine Yalnizyan repeatedly points to Kesselman’s work as a deterrent to GAI/basic income, citing the same $380 billion figure as a main reason.7

It is important to note how other strong claims are linked to the cost objection i.e. UBI is too expensive, and the increased taxation required is not politically feasible. Raising “all households above the poverty line carries severe hurdles of… public finance and political feasibility that proponents typically neglect” (Kesselman 2013: Introduction). Kesselman (2013: Sect. 4) writes that “the personal tax system would be applied to finance the system”. This is a common argument among objectors to UBI based on cost; that the amount of new personal income tax that would have to be applied makes it a prohibitive policy.

2. Four Responses: Savings and Other Income Sources

This section will explore items that the cost objection to UBI fails to consider or develop in reducing the net cost of UBI implementation. Four categories of items will be explored, providing four responses to the objection. Section 2.1 will respond to the savings issue by considering additional available savings from the replacement of existing income security programs missed by the cost objection. These programs are often inefficient, wasteful or disproportionately benefit the highest income recipients in contradiction of the original intent of such programs to provide income security to all. They can be considered to be redundant with income currently. VAT rates in Europe are regularly well above 20% (European Commission 2014: 3). Combined federal and provincial sales taxes in Canada are usually between 12 and 15% (Munroe 2013).

Yalnizyan is referenced at the end of a CCPA article citing the $380 billion annual cost amount by a member of the CCPA (her own organization) by way of an update to the article in the ‘responses’ section on March 3, 2014, and Yalnizyan points to Kesselman’s work for justification. See Shaun Loney, “A Province with No Poverty,” Policy Fix, CCPA-MB, February 28, 2014: http://policyfix.ca/2014/02/28/a-province-with-no-poverty/; Also, Reddit Canadian Politics, “I Am Armine Yalnizyan, Ask Me Anything,” reddit.com, March 1, 2014: “I’m not a big fan of the minimum income a) huge cost… $380B for a liberating level of guaranteed annual income according to SFU economist Rhys Kesselman… I strongly recommend Rhys Kesselman’s [sic] work on the guaranteed income”7. Yalnizyan provides a link to the same Kesselman Inroads Journal article cited in this chapter. In discussions with Glen Hodgson and Andrew Coyne, Yalnizyan reaffirms her support of Kesselman’s work as the main objection to GAI/basic income (available online, Feb. 1 2014, “I’m in Kesselman’s camp on GAI”).
introduction of UBI; redirecting these program funds to UBI can be considered a much fairer universal benefit that comes much closer to the original intent of these various programs to increase income security.

Section 2.2 responds to the claim that personal income tax would have to be raised to an unacceptable level to fund UBI. This is not true as there are significant leakages in the existing tax system, which can provide a large amount of funding without raising taxes. Section 2.3 will consider the cost of bureaucracy. This response demonstrates that bureaucratic costs associated with existing program spending have not been factored into the net costing for UBI. Section 2.4 will consider new sources of income through pricing of current externalities and free-riding as an additional source of financing for UBI (if required). This includes prevention of environmental and social dumping, and curbing harmful activities such as excessive financial speculation.

2.1 First Response: Savings from replacement of existing income security programs

In this sub-section, two leading cost objections to UBI in Canada will be briefly critiqued for their narrow savings considerations. The program redundancies available by implementing UBI are greater than presented in these studies. A parallel will be drawn with other nations that have similarly elaborate bureaucratic welfare states as Canada. These states should also consider a far greater number of savings items when drawing up cost assessments for UBI at the national level. I will then explain various programs and existing costs that can be considered as savings if a UBI is implemented – both in Canada and in countries with equivalent programs and costs. Starting with the RRSP tax shelter, I will demonstrate the redundancies that are missed by the cost objectors in arriving at the mistaken conclusion that UBI is financially out of reach for governments. This is a conclusion only reached by neglecting numerous existing costs that are redundant with, and better addressed by, UBI.

While Young and Mulvale (2009) do identify some of the savings to be realized from a basic income program, Kesselman (2013) emphasizes the $350 billion cost figure without identifying any total program costs that become redundant or unnecessary with introduction of basic income. The replacement of some existing income security systems made possible by UBI will provide a significant amount of savings for funding UBI. Young and Mulvale identify seven programs that are, or could be seen as, redundant with a basic income in place, but do not go further. There are many more programs and savings to be considered. The seven programs they list are: Old Age Supplement ($29 bn), Child Tax Benefit ($9 bn), Provincial payments to individuals/welfare payments ($32 bn), GST and other tax credits ($15 bn), Employment Insurance ($14 bn), Local payments to individuals ($3 bn), and a seventh item treated in a confusing manner because it is first included then excluded in a subset of their Table 1 (with the subset including two other items equivalent in cost), namely Canada Pension Plan/Quebec Pension Plan (CPP/QPP) ($32 bn). The CPP/QPP is properly excluded ultimately by Young and Mulvale because it is a contributory scheme, and I would argue the same for Employment Insurance (EI) which is curiously treated differently by Young and Mulvale and included in the list of programs to be eliminated with introduction of UBI.

In Canada, as in many other countries, seven such items (or six if EI is maintained) that reduce the net cost of UBI would be considered a very short list. There are many more forms of income security and related programs that can be considered as redundancies with introduction of UBI, specifically a UBI at the level Young and Mulvale identify which meets the goal of ensuring no individual’s income is below the poverty line. And as we have seen with poverty line income statistics (i.e. LICO) many multiple-person households will be far ahead of household poverty lines if recipients have an at poverty line UBI distributed per individual, because combined income households can extend incomes further. For example, a doubling of rent, mortgage or living space is not required if adding a second person to a household.

8 And as we have seen with poverty line income statistics (i.e. LICO) many multiple-person households will be far ahead of household poverty lines if recipients have an at poverty line UBI distributed per individual, because combined income households can extend incomes further. For example, a doubling of rent, mortgage or living space is not required if adding a second person to a household.

The RRSP program (Registered Retirement Savings Plan) is one of dozens such programs that is not mentioned by any of the authors above. It is a retirement income supplement program and tax-shelter that disproportionately benefits high income earners, contributing to the regressive tax system currently in place (nominally progressive, but regressive once such skewed programs, benefits, deductions and other
advantages are factored in). There was $775 billion of assets in Canadian RRSPs in 2011 (CBC 2013) accumulating tax-free growth from stock markets and other investments. Annual tax deductions alone from the RRSP program (and similar registered pension plan – RPP) cost the federal government $20 billion per year with two-thirds of this benefit going to the richest 10% of Canadians (Department of Finance 2014: 18; Lee and Ivanova 2013: 23-26; CAW n.d.). This is exclusive of foregone tax revenue on unearned income within this tax shelter. These figures also do not include the provincial portion of income tax deducted and refunded to RRSP (and RPP) contributors. Only 24% of eligible tax filers contributed to the program in 2011 (down from 26% in 2010) (CBC 2013), as many are too indebted, underemployed, precariously employed, unemployed or working full time and earning too little to have the necessary disposable income to take advantage of such schemes. “Many low-income Canadians can actually be worse-off if they contribute to an RRSP” (CAW n.d.).

Other similar programs that are not considered by the cost objectors as unnecessary with the income security provided by basic income include the TFSA tax shelter (Tax-Free Savings Accounts), RESPs (Registered Education Savings Plans) and numerous other tax shelters with even far less potential to help anyone in need than these three mentioned above (Taylor 2007). Charitable programs and the associated donation and tax deduction system, with highly favourable tax deduction rates could also be vastly reduced or eliminated with a basic income in place. Whereas almost 30 percent of Canadians claimed charitable donations in the early 1990s, the figure was 23 percent in 2011. “Fewer and fewer people are donating larger amounts... And spouses with higher incomes can also claim contributions made by their partners” (Simms 2013). Almost six million Canadian tax filers claimed charitable contributions in 2011. In addition to billions of dollars in donations annually to the ‘poverty industry’ as some have called the growing charitable sector, and the favourable tax deductions associated with them, charities also often receive additional funds and grants from various levels of government, and in too many cases scandalously high salaries and perks are given to executives and managers of these often otherwise well-meaning endeavours – directing these various costs toward funding a UBI could prove far more efficient and be yet another savings element neglected by the studies.

Summarizing up to this point some of the more obvious additional savings not included in the cost objections, one finds up to $86 billion or more in the Young and Mulvale study which they have indirectly alluded to but not calculated, nor have they used this item (additional income tax generation with a guaranteed income in place) to reduce the net cost of UBI implementation as they indicate should be done. Perhaps it is an overly cautious move. If so, their conclusion based on an unjustifiably higher number that “a full-fledged version of guaranteed income is out of our immediate financial reach” needs to be pre-empted. Perhaps it was an oversight of the study, despite the general point being made in a footnote. This item, and its many dimensions, is likely worth more than $86 billion as I have detailed in Section 1, thus reducing Young and Mulvale’s “full-fledged” UBI cost from $286 billion down to under $200 billion. The RRSP program - and RPP - offers $20 billion in federal tax deduction savings alone (not including supplemental provincial tax rates and associated deductions, and not including tax-sheltered growth or dividend income from corporate shares on $775 billion in RRSP-held assets). This brings the cost of a decent UBI down to well under $180 billion. These two items reduce Young and Mulvale’s costing of UBI by well over $100 billion, and bring down Kesselman’s costing far more.

Eliminating the RRSP program will also remove the tax-sheltering component of this program containing assets of $775 billion (as of 2011). Growth of 6% on these assets represents $46.5 billion. For comparison, the Toronto stock market gained almost 10 percent in the most recent year (2013) while American stock markets gained between 26.5 and 38 percent in the same year (Morrison 2013). Lee and Ivanova (2013: 24) show that 0.89% of all tax filers in 2010 claimed 50% of all capital gains (those with incomes over $250,000 per year). If capital gains were not tax sheltered in RRSPs, the highest income

9 “Governments rely on a regressive tax structure as a source of public revenue. (Regressive taxes are those that take away a higher proportion of income from the low-income groups than from the high-income groups.)” Quote from Canada, Croll Report (1971: 46, or p. 74 of 241 in available online versions of the Report). Numerous examples are given in the Croll Report of regressive taxation, many of which have been exacerbated since its publication decades ago.
10 “Rental real estate has been described by some as the equivalent of a super-charged RRSP”.
11 As explained in the Financial Post (Heath 2011) "Rental real estate has been described by some as the equivalent of a super-charged RRSP".
brackets that claim a disproportionate majority of this benefit would pay over 40% (CRA 2014a) in tax (combined federal and provincial rates) on this unearned income. Applying a more conservative 35% tax rate to $46.5 billion for the sake of estimation produces an additional $16.3 billion in annual savings better directed to UBI (not including dividend income received in RRSPs). This brings Young and Mulvale’s $286 billion cost now to below $164 billion; an additional $122.3 billion in savings from two easily identifiable and non-controversial sources ($86bn in additional income tax generation at prevailing rates plus $36.3bn in RRSP program savings). Their costing, upon which they base their negative conclusion, is 43% lower at this early stage of analysing the proposal.

Tax-Free Savings Accounts introduced in 2008, and mentioned briefly above, represent another inefficient new savings and income security program. Milligan (2012: 3) writes that “the bulk of the total contributions come from high-wealth families who still make large TFSA contributions on top of any ‘float’ held outside the TFSA.” This program is similar to the Individual Savings Account program in the UK, introduced in that country in 1997 (Milligan 2012: 7). Adding new programs and financial and accounting complexity in this manner (Department of Finance 2009), to benefit the highest income earners makes no sense if the goal is to improve economic or income security for all. Specialized tax advice to co-ordinate these various programs and numerous details within them for maximum benefit is also only available at significant cost to high-wealth individuals (Milligan 2012: 7; Department of Finance 2009). Using a conservative estimation from Milligan’s study of TFSA I will include a $3 billion annual savings from cancellation of this program/tax-shelter that could be better used toward implementation of UBI. Numerous other non-RRSP and non-TFSA tax-shelter programs referenced earlier in this section, which are not practical to individually cost here, will be estimated at an additional conservative $3 billion combined. This represents an additional $6 billion of savings not factored into the net cost figures, or $128.3 billion in missed savings thus far.

Several program and other public costs are implicated in the annual cost of poverty to society. The savings available in this respect from providing a decent UBI at, or slightly above, the poverty-line income level totals $72 to $86 billion annually in Canada (Rainer 2012; Canada Without Poverty n.d.; Laurie 2008; Rainer and Ernst 2014). “Poverty’s demand on health care alone may now approach $40 billion per year” in Canada (Rainer and Ernst 2014). Reduced public costs for health, crime and other factors make up this large total savings item. If one-third of this cost is stripped out due to some overlapping items with those already presented above, we have $53 billion in average savings per year (2007 dollars), bringing the UBI net cost in Young and Mulvale’s study down from $286 billion to $105 billion ($181 billion in missed savings). This is 63% lower than the net cost for UBI presented by Young and Mulvale for their generous version of basic income, and 70% lower than the $350 billion cost presented by Kesselman. Responding to a leading national newspaper columnist’s article critiquing the $32 billion cost of raising all Canadians out of poverty with cash transfers, Rainer and Ernst (2014) reply that the cost of poverty alone is between $72 billion and $86 billion annually. This leads them to ask the opposite question the cost objects ask, namely ‘how can we not afford a basic annual income?’ The $32 billion ‘cost’ figure, which disappears into a surplus of savings with introduction of basic income, is based on the NIT (negative

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12 There is no justification for unearned income to be taxed at a lower rate than earned income, and capital gains (outside of RRSPs) achieve this through a legislated 50% “inclusion” rate. This means only 50% of capital gains are subject to tax. This legislated limit has changed several times and was set at a 75% inclusion rate in Canada for a period in the 1990s (CBC 2012). All capital gains/unearned income should be treated as earned income i.e. without special exclusions, and that is how I have treated capital gains with the removal of the RRSP program. Sale of a principal residence is one exception where all capital gains are excluded. Revenue for UBI. For example, special RRSP tax credits for labour-sponsored investment funds means that each level of government provides an additional 15% in tax deductions (30% extra deductions from federal and provincial governments combined [FTQ 2014]). For each $1,000 invested your “investment only costs you $320!” as per the FTQ promotion. Labour-sponsored funds and associated organizations have been involved in major corruption probes in more than one province (Canadian Press 2014; Hopper 2012).

13 Eliminating the RRSP program provides additional forms of government savings not explored here, representing additional revenue for UBI. For example, special RRSP tax credits for labour-sponsored investment funds means that each level of government provides an additional 15% in tax deductions (30% extra deductions from federal and provincial governments combined [FTQ 2014]). For each $1,000 invested your “investment only costs you $320!” as per the FTQ promotion. Labour-sponsored funds and associated organizations have been involved in major corruption probes in more than one province (Canadian Press 2014; Hopper 2012).

14 Writing about one category of tax-shelters (not including RRSPs, TFSA, RESPs, real estate etc.), a tax lawyer specializing in non-profit and charity law states that philanthropic schemes “costs the Canadian governments billions of dollars per year” in tax incentives and tax receipts (Blumberg 2012).

15 If $132bn in savings identified in Young and Mulvale’s proposal is added to the $181bn in missed savings identified in this chapter then Kesselman’s less generous model of UBI is reduced in cost by $313bn, or 89%.
income tax) version of basic income. We will treat this issue of two versions of UBI (NIT as a “top-up” version of UBI versus upfront payment to all citizens [demogrant version]) at the end of the study, but for now it is useful to continue directly addressing the large figures put forth by cost objection claims as found in Young and Mulvale, and Kesselman. A couple of quotes on this difference are worth introducing at this point though. Young and Mulvale (2009: 15) state that one major Canadian government report in the 1980s “recommended a universal demogrant-based delivery system, rather than a strictly tax-based system [NIT], although [it] argued that either would be effective.” Also, Young and Mulvale (2009: 21) indicate that all of their models “assume that a guaranteed income program could be delivered either through a universal demogrant or through a negative income tax.”

To conclude this section on savings from program replacement/redundancy and reduction directly linked to implementation of UBI I will limit myself to addressing three more programs and forms of savings. Daycare costs, in its publicly subsidized form and in its extremely expensive private form, can be greatly reduced with a UBI in place. The same will be demonstrated for social housing in various forms. And thirdly, since UBI cost objections are often coupled with advocacy of improvements to the status quo patchwork of welfare programs, it is not accurate to simply calculate the cost of existing welfare payments to individuals in reducing the net cost of UBI. One must reduce the net cost of UBI by not only existing welfare costs, but also by what the cost objects are proposing in terms of increased funds toward welfare – this is additional funding they would put toward the (admittedly failed) existing system, which would be better directed to UBI. Subsidized institutional daycare, which advocates internationally recommend should be funded at the rate of one percent of GDP (Canadian Labour Congress 2013), totals over $18 billion per year in the Canadian context. Constantly increasing labour-market pressures, arbitrary bureaucratic rules (excluding people from maternity and paternity leave benefits for example) and a perverse approach to economic development sees new forms of extended daycare being offered. In Canada 24-hour a day daycare (an oxymoron), seven days a week, was introduced in Quebec, with one of the main reasons cited being the accommodation of night-shift casino workers in Montreal (Peritz and Gagnon 2000; CBC 2000). “One pilot project at the Montreal Casino operates 24 hours daily, 365 days a year” and the Family Minister in the Quebec government, Nicole Léger, affirms she thinks it “a good idea” (Dougherty and Jelowicki 2000). It is deeply discriminatory that some parents get extended maternity and paternity benefits (public and private benefits in some cases) to care for a new child, while others feel forced to put their children as young as six weeks of age, or even earlier (Québec 2014), in institutions.

A UBI can allow for provision of a decent level of care for all children by parents or those they trust most (family members, close neighbours) when the need may arise. While public expenditure on childcare in Canada is less than 1% of GDP currently, the OECD (2013: 1, 3) indicates that many statistics relating to daycare expenses are underestimated because of the reporting methods, or lack of reporting, by various levels of government on these expenditures to national governments (Canada is specifically identified as having this underreporting/underestimation problem). If the advocated 1% solution (costing over $18 billion per year and supported by many UBI cost objectors) is reduced by about half, because of UBI implementation and the far greater number of options it would introduce to provide both parental and non-parental childcare outside of publicly-subsidized institutions, we could add another $9 billion in savings or funding better directed to UBI. We could also help stem the tide of increasingly destructive new forms of employment that are creating the growing artificial need for unconventional daycare and nightcare. Among those who claim to need childcare overnight because of a lack of care alternatives, income insecurity or job inflexibility, only one in ten say they are prepared to leave their children in centres overnight (Peritz and Gagnon 2000). Clearly it is a trend17 the overwhelming majority want to avoid. UBI can provide better options.

16 Putting children on a lower priority than that of servicing 24-hour/overnight gamblers represents an ethical new low, with government as facilitator of this anti-social conduct on both counts – providing the casinos (which many jurisdictions reject as anti-social) and then further enabling addictive gambling behaviour by removing/treating children as obstacles and placing them in government run “care” institutions. This is about as far from “care” (day, night or otherwise) as I have seen the term used. It is an abusive use of language and the comprehensive concept of care.

17 Mario Régis, head of the association of non-profit daycare centres in Montreal, asks “How far do we want to go? We have to avoid a situation of abuse, children need their parents above all.” He also points out the potential for employer abuse using these programs to “take advantage of staff,” (Peritz and Gagnon 2000).
Some other aggressive trends that limit care options for children include: the rise in numbers of multiple job workers; the rise in unpaid overtime work (Pereira 2009); dismissals of pregnant women by increasingly brazen employers resulting in loss of maternity leave benefits (Pigg 2009); and workplace cultures that discourage and penalize employees who take vacation time to which they are entitled (Wadsworth 2013; Herman 2011; Pereira 2009), despite paid vacation entitlement being inferior in Canada and the U.S. to most OECD nations. This is not an exhaustive list, as the weakening of labour unions and other developments in the past two decades have created intense time poverty in North America, which a UBI can help rebalance to significant degree. $9 billion in additional program savings annually from childcare (not to mention private childcare costs which are extremely high) added to $181 billion in missed program savings tallied earlier, totals $190 billion and brings the net cost of UBI down to $96 billion (from the original $286bn [net cost], $350bn or $380bn depending on which cost objection argument referred to).

If people had sufficient and secure minimum income that they could rely on through difficult circumstances (without complicated bureaucratic entanglements, stigma or exclusions) they also would not need to resort to social housing and affiliated programs in most cases. These programs also limit freedom in terms of where one can live, as most social housing is in select locations with a limited variety of home types, and most importantly, long waiting lists in many instances. Many Canadians do not have any special needs when it comes to housing, but are in social housing simply because of a lack of sufficient and stable income (Swanton 2009: 20) in an increasingly precarious work environment. And if they have special needs those should certainly be accommodated and provided for while supporting the desire of many with milder special needs for independent living with a decent universal basic income (and not reducing any of the supporting services they currently receive, a basic principle of the Croll Commission in advocating for guaranteed annual income).

The Toronto Community Housing Corporation is one of North America’s largest landlords, housing about 164,000 tenants, with an additional waiting list of over 72,000 (Monserbaaten 2013; Maloney 2014). Canada’s 600,000 social housing units receive $3.5 billion annually, cost-shared between federal and provincial governments (Federation of Canadian Municipalities 2013). Under the Direct Rent Supplement Program tenants in Alberta receive money directly from CRCH (Capital Region Housing Corporation 2011: 1) to assist with their housing costs, up to a maximum of $500 per month. Rental subsidies in British Columbia can be up to $683 per month ($8,196 per year) (BC Housing 2010). Different programs involving forgivable loans that CMHC (Canada Mortgage and Housing Corporation) lists as available to real estate developers are valued up to $150,000 per unit (CMHC 2014). Global figures for all this housing complexity, including subsidization programs at the local level of government, are difficult or impossible to encounter. Assuming $5 billion in annual costs and that the majority of people housed in this way or receiving rent supplements are simply lacking stable, sufficient income, UBI could potentially reduce this cost by $4 billion.

The final program savings item I will deal with (and there are many more) here as indicated is the discrepancy between current welfare expenditures and improvements to the welfare system that UBI cost objectors advocate. While Young and Mulvale point out the $32 billion in annual provincial income assistance/welfare payments to individuals that become redundant with UBI and include this as savings against the net cost of UBI implementation, they also call for easier access to welfare and increased payments for those in it (Young and Mulvale, 2009: 31) in lieu of UBI, as is common with many of the cost

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18 The number of Canadians working “at two or more jobs or businesses almost quadrupled (from 208,000 to 787,000), compared with overall employment growth of 61%” from 1976 to 2003 (Statistics Canada 2004).
19 This is compounded by an extremely weak enforcement regime when it comes to workplace standards violations in Canada (Federal Labour 2006: 192-93, 220-21; Pereira 2009: 55-59). Pigg writes that the “stunning” increase in firings of pregnant women across Ontario is happening in all sectors and human rights advocates claim they have not seen this level of discrimination in two previous recessions and 30 years in the human rights field.
20 This reference [online] is not officially dated, however it cites “Results of a national survey on housing conducted October 18-22, 2013.” Accessed 22 May 2014.
21 Also see Investment in Affordable Housing for Ontario: Program Guidelines, August 2011, 20 (available in the CMHC source above). This money could be directly provided to Canadians as additional funding to UBI so that they could build their own homes, find their own existing homes for purchase or rental options without the restrictions of local and provincial housing authorities and their sometimes corrupt, expensive bureaucracies (section 2.3 on bureaucracy will detail some of this corruption).
objections.22 They do so because they know the existing system is a failure.22 But they are not willing to commit to UBI. Therefore, the additional funding advocated for the existing welfare system should be added to actual existing welfare payments, as this would be the total amount of spending (savings for UBI advocates) that would be directed to the current system, but available to UBI financing instead. The UBI cost objection studies are not clear on how much they would increase provincial income assistance/welfare payments by resisting UBI implementation. But if we assume a 50% increase is reasonable (and possibly very conservative given both easier access to the system and increased payments for recipients is advocated) that would add $16 billion in payments. These are pure savings for the UBI advocate, and thus reduce the net cost of UBI to $76 billion (factoring in this $16 billion annual savings with the above $4 billion in annual social housing costs not deducted from net cost yet).

Conclusion: Program savings and redundancy are vastly underestimated

The program savings in this section add up to $210 billion annually. The savings have been conservatively calculated in many respects and could therefore be significantly greater. And there are numerous other programs that could be included to lower UBI net cost from program savings alone. Universal public health care has not been affected. There is no intention to cut funding from, or reduce the quality of, publicly delivered health care. Instead, the public health care burden is reduced generating a significant savings in the system with introduction of UBI at a decent level. A major goal of this thesis is to improve health outcomes and to resist any attempts toward privatization or downloading of health costs onto citizens.

This additional net cost reduction of $210 billion annually (and proportional equivalents from similar program redundancies in many other countries) has been missed by the UBI cost objection studies, and thus influences negative conclusions on UBI implementation. Net cost has been reduced by almost 75% of Young and Mulvale’s $286 billion net cost annual figure. Program savings/redundancies reduce Kesselman’s $350 billion annual cost figure by $342 billion ($132 billion in savings identified by Young and Mulvale, plus $210 billion in additional savings identified in this work), or 98%.

A few other significant programs (not a full list) that could be seen as redundant with UBI in place and thereby provide additional savings to finance it include: the WITB (Working Income Tax Benefit, or equivalent EITC in the United States) which Kesselman (2013: Sect. 7) calls for increased cash support to individuals through; various “special public employment projects” which Kesselman (2013: Sect. 7) also calls for increased funding for; and boutique tax benefit programs such as the Senior Homeowners’ Property Tax Grant.24 I invite others to add to the list savings items that they would see as redundant with introduction of a sufficient UBI to ensure coverage of basic needs, and to cost these items. This thesis has gone much farther in this direction than previous available studies encountered, and has space and resource constraints.

The NIT versus demogrant distinction between UBI proposals (two methods of delivery) introduced earlier in this section should also be briefly noted as a reminder when considering the vast cost differential between the two versions. Keeping this distinction in mind as this study proceeds will allow one to see amplified savings that are more visible with NIT, but masked in the UBI cost objections’ general approach and focus on the demogrant model. Recall that two key sources – Young and Mulvale’s study, and a major Canadian government report on UBI (McDonald Commission report) from the 1980s – clearly state that both delivery methods are effective with the latter source recommending the universal demogrant version. The importance of this distinction is that the starting cost point identified for NIT is $21.5 billion (Young and Mulvale 2009: 24) whereas the starting cost for the demogrant is $418 billion (Young and Mulvale 2009: 24). Both systems can be “calibrated” to achieve the same results (Young and Mulvale 2009: 24).

Taking the $132 billion in savings from existing income security programs identified by Young and
Mulvale (2009: 25) to reduce UBI cost from $418 billion to a net cost of $286 billion, plus the additional savings identified in this section valued at $210 billion, totals $342 billion in savings. Applying this against the insignificant NIT cost for universal basic income, results in a large-scale surplus of over $300 billion. The demogrant version cost is not as far off the NIT cost as implied.25

2.2 Second Response: Inefficiencies and leakages in the existing tax system – No new taxes!

This response will be brief in identifying major areas of tax revenue losses at prevailing rates that could help finance a decent UBI. No new taxation is involved in the analysis. The evasion and avoidance of taxes by those best positioned to take advantage of tax complexity and lax enforcement in specific areas is the concern, and UBI cost objections do not give this sufficient attention. Instead, cost objectors by default resort to the “need” to tax personal/labour incomes at higher rates in order to deal with the unacceptable high cost of UBI and the financing gap it purportedly generates.

The exclusive reliance on the personal income tax system as the only vehicle for addressing the costs of UBI by cost objectors such as Kesselman, Young and Mulvale – although in other places Kesselman for example mentions business taxes as well before reverting to this more exclusive argument and emphasis on the personal system – is misplaced, in several ways. Van Parijs, White and many other international writers on UBI also emphasize the need to tax labour much more aggressively in order to successfully finance basic income, although supportive of the basic income idea. “The personal income tax system would be applied to finance the [basic income] system” Kesselman (2013: Sect. 4) writes in a section entitled “Basic income: Gargantuan costs, unacceptable tax hikes.” Young and Mulvale also state that:

Any version of guaranteed income – whether universal or targeted,… demogrant or through a negative income tax [NIT] – obviously involves substantial government spending. Raising taxes is politically unpopular. So committing substantial public revenue to ensure basic economic security for all is seen by many as beyond the realm of the “reasonably discussable” (Young and Mulvale 2009: 23).

This study has thus far disproved the above strong claim that negative income tax “obviously involves substantial government spending” because in fact there are large-scale savings to be gained (a surplus) by introducing UBI in the NIT form (and in the demogrant form as will be made clearer later). It has already been established (§ 2.1) that NIT and demogrant versions can achieve the same results through calibration and that both can be equally effective, with one major government report favouring demogrant delivery over NIT in assessing both versions for optimal cost and effectiveness. Therefore, if Young and Mulvale (2009: 24) produce a $21.5 billion cost figure for a negative income tax version of UBI that achieves “reduction of poverty to zero”, and they produce a limited savings list of redundant programs valued at $132 billion as a result of UBI implementation, there is no need to talk of massive spending involved. What we have is large-scale savings – even if we remove several items from Young and Mulvale’s list of savings.26

It is confounding when this information is presented and conclusions are reached that a decent UBI appears to be “out of our immediate financial reach” (Young and Mulvale 2009: 25). If taxation is to be discussed, it must start with the existing system and where it is failing to collect legal revenues at prevailing rates. Canada Revenue Agency (CRA) states “When an individual or business does not fully comply with tax legislation, an unfair burden is placed on law-abiding taxpayers… and the integrity of Canada’s tax system is jeopardized” (CRA 2014b). The most significant item in this regard is offshore tax havens and the tax evasion and avoidance that occurs through them.

Vast wealth is channelled away from public goods through these shady and secretive offshore

25 Adding a “clawback” to UBI can make the demogrant version even more similar in cost to the NIT version, depending on what rate the clawback is set at. Since there is such a large surplus to work with, the clawback could be set at a relatively low rate and still achieve a large surplus of public funds by implementing a UBI demogrant.
26 From their list of $132bn in savings I would start by removing the $14bn item for Employment Insurance as discussed earlier (§ 2.1), as this program should be retained as a contributory scheme. This would result in $118bn in savings from Young and Mulvale’s figures, against a cost of $21.5 billion for UBI (NIT version), totalling $96.5bn in savings/surplus from implementing UBI.
jurisdictions, placing additional burdens on those in lower income brackets. Addressing this as a priority, before referring to any personal income tax increases, is a necessity as the existing system is not being honoured or enforced. Related issues of transfer pricing used as a mechanism to artificially lower profit figures, and therefore taxable income, by major corporations also needs to be addressed on the tax side before objecting to program costs, even if the costs for UBI are overestimated. Such issues deal directly with the existing tax system as it stands, and the priority is to ensure fair and progressive rates of taxation are actually collected under current rules before raising the scare of personal income tax increases. During this “golden age for corporate profits” some of the largest multinational companies are paying zero tax, and receiving tax refunds and subsidies simultaneously (Buchheit 2013).

How many Canadian tax dollars are we losing to tax havens? …There are three independent estimates that put the figure as high as $80 billion a year that federal and provincial governments are losing to various forms of tax evasion. A recent Statistics Canada report showed that a quarter of all Canadian direct investment abroad was going to countries that have been identified as tax havens. Barbados was the destination for $53 billion in 2011 (CPJ 2012; Canadians for Tax Fairness n.d.).

As concerns developing countries, tax havens facilitate transfer pricing, capital flight and corruption worth ten times the value of aid received by these countries (CPJ 2012). In the UK one of numerous high profile stories recently involved the American multinational company Starbucks repeatedly claiming annual financial losses despite making billions of pounds in profits. Transfer pricing allows such corporations to use offshore tax havens and other mechanisms to misprice transactions between companies in a group (Clinch 2012). The issue affects all countries and their ability to provide public goods, including UBI.

If we take the $342 billion in total savings available from UBI implementation identified thus far ($132 billion in savings from Young and Mulvale’s net costing plus additional savings of $210 billion detailed in section 2.1) and add the $80 billion in tax leakage from Canada to offshore tax havens each year, a large surplus is further built up by implementing the NIT version of UBI, as well as surpluses achieved by implementing the demogrant version of UBI as costed by multiple proposals in the cost objection. And recall there is little difference between both NIT and demogrant versions in the final analysis, which has not been clarified sufficiently in the cost objection.

To be conservative let us take half of the amount of the $80 billion in tax leakage identified, instead of the full amount, realizing that severe penalties apply to unpaid/avoided/evaded taxes. This $40 billion annual figure means that we have $382 billion in savings and tax leakage/lost revenue from the existing system to put toward a decent UBI. This overshadows the cost of the NIT version of UBI put forth in the cost objection, and it surpasses the universal demogrant UBI cost Kesselman puts forward by over $30 billion (a $32 billion dollar surplus, without any personal income tax rises).

Section 2.3 Third Response: Freedom from bureaucracy

This response highlights the waste of bureaucracy entailed with numerous programs that fail to achieve what a decent UBI can achieve in most cases.27 It is a brief response that largely focuses on the real-life case of an individual experiencing multiple welfare bureaucracies. The complexity of this patchwork is overwhelming to individuals experiencing it directly. Sorting out all the bureaucracies and their costs is not worthwhile or necessary here. What is important is to convey this complexity and demonstrate that the costs of bureaucracy are often overlooked in the cost objection and not included in addition to the various program costs it is associated with.

Monitoring people, co-ordinating hundreds of arbitrary and ever-changing rules, ensuring people are destitute first before qualifying for welfare or social housing adds excessive complexity to government. It

27 Health care bureaucracy is not affected in this discussion. Again, the commitment in this thesis is to high quality publicly delivered healthcare, with no intention of moving in the direction of private health care delivery as is commonly associated with the U.S.
also wastes a great deal of time and other resources on both sides of this divide. Potential recipients fill out many forms, travel to various offices, make appeals, get rejected and humiliated, try another process or program. Bureaucrats – from the lowest ranking staff to the highest paid managers – could be engaged in much more productive and rewarding work.

Maintaining numerous offices, tribunals, employees and data control to carry this all out, micro-managing people’s lives, costs a great deal of public money that is not sufficiently acknowledged in the cost objection. For example, we read about the cost of existing income assistance payments to individuals or families in the tens of billions, or the cost of building a social housing unit, or the maximum allowable monthly rent supplement in any jurisdiction. However, the bureaucratic cost is often excluded or ignored.

All this complexity is produced because people simply lack sufficient and stable income in most cases. An extended illustration is valuable here:

Ali lived in subsidized housing as he grew up with his parents and younger sister and brother. The family has been in Canada since 1994. Ali’s family receives Ontario Disability Support Plan payments as his father is disabled. His mother works part time but makes very little. They came from the Refugee camps in Kenya.

Ali… had a part time job since he was 17 and (as a child) none of his earnings reduced the family’s ODSP payments. He was able to help a bit with household expenses from his earnings.

When Ali turned 18, the family lost the $105 or so monthly payments from the (exempted) federal Canada Child Tax Benefit. The family needed this money and Ali was able to make it up by getting more hours where he worked.

As the fall approached, Ali and his family realized that it was not going to be possible for him to attend [post-secondary] school full time. It was not just the absence of savings or the loss of the $105 in child benefits. He just needed more money to make a go of it. He also discovered that 50% of his net earnings of about $600 a month would now be deducted from his father’s ODSP cheque (as Ali was now no longer a dependent child and was no longer in secondary school).

At the same time, the Housing authority notified Ali’s parents that their rent would be increasing given that Ali was over age 16, had graduated from secondary school, was not going to school full time, and was making over $75 a month. The rental increase (effective immediately) was another $90 a month. The cumulative loss of $490 a month in lost child benefits, deducted earnings, and increased rent was too much to lose so he made new plans to go to school part time and perhaps make some more money to make up the losses.

Ali anticipated correctly that his OSAP [Ontario School Assistance Program] entitlement would go down due to his part time status but he worried that he had to input his gross income earned on the OSAP application.

But did OSAP know that ODSP deducted 50% of his net pay? Did they take into account the rental increase? There is nowhere on the OSAP form to note that you are in public housing. How would OSAP know about the rental charge? When he tried to ask, he was told to submit his application and he would get an answer in due course. OSAP simply doesn’t answer these questions.

At the end of the summer, Ali came to the reluctant realization that he could not remain at
home with almost $300 of his net pay coming off his family’s ODSP payment along with the $90 increase in rent. Like so many others in his situation, Ali moved out and established his legal residence at a friend’s house.

He became what is known by many public housing kids as a ‘couch rider’…

In the ensuing months, couch riding did not prove too conducive to studying and working at the same time so Ali gave up his courses and started to look for another part time job to cobble together with his existing job.

Just about the time he got a letter demanding that the small amount of OSAP that he received be repaid with interest, his mother got a letter from ‘housing’ noting that without Ali in the house, the family was ‘overhoused’ and no longer qualified for their apartment and that the family would have to leave… (Laurie 2008: 29).

The story gets worse from there. Basic income at a decent level could help millions of people avoid all this arbitrary complexity and bureaucratic overlap. The negative life impacts that come with it are avoidable. Incurring all this bureaucratic overhead to make people’s lives so miserable and difficult represents public funds that would be much better directed to UBI.

All these large bureaucracies also make government less transparent and therefore less accountable. It becomes exceedingly difficult to penetrate all their workings, and numerous opportunities for patronage and corruption arise (Montreal Gazette 2011, Alcooba 201328). Better to have fewer bureaucracies operating at the highest levels of transparency, accountability and ethics than having public money scattered in too many conflicting directions.

This complexity has worsened since the early 1970s when guaranteed annual income/UBI was advocated in the Croll Report (Canada 1971). And from that government report four decades ago we could see the profligate waste of bureaucracy. “The cost of administering all this complexity is staggering… to issue one twenty-five-cent bus ticket, in terms of time and energy, cost the welfare system about four dollars!” (Canada 1971: 87). Already in 1971 the Croll Report was critical of “…innumerable welfare administrations and social-service organizations in Canada. The luxuriant growth of government and quasi-government agencies…” (Canada 1971: 67) which has only increased since then.

Without adding bureaucratic costs that are missed in the cost objection arguments our savings figures from implementation of UBI remain at $342 billion (§ 2.1) plus $40 billion in tax losses from the existing system annually (§ 2.2). This $382 billion annual total stands against a $30 billion ‘cost’ for a negative income tax version of UBI put forth by Kesselman, resulting in a $352 billion surplus/savings without any tax increases. The demogrant version of UBI is costed at $350 billion by Kesselman, resulting in a $32 billion savings/surplus from UBI implementation. And as stated, the cost of both versions of UBI is similar, with one version (demogrant) paying UBI upfront in monthly installments and the other paying it as a negative income tax or ‘top-up’ at the end of the year. The demogrant will be paid back in part or in full by the end of the year depending on the income received by those in formal labour-market employment (and depending on the amount of unearned income received by those in or out of formal market employment), as well as through consumption taxes and other taxes paid by those who had no income, or insignificant income, prior to UBI.

Bureaucratic costs add to these savings to be gained by UBI implementation. These bureaucratic costs are best calculated elsewhere due to constraints (time, resources, space) and because they are not required to demonstrate the feasibility of UBI. One guiding point in this area of cost and savings worth emphasizing is the 16:1 ratio highlighted in the Croll Report above in terms of bureaucracy costs required to issue benefits in the form of one bus ticket. This is not necessarily the case with most welfare bureaucracy

28 -...a damning report from the city’s auditor-general that uncovered lavish employee expenses [at TCHC – Toronto Community Housing Corporation]. That probe also found staff repeatedly single-sourced contracts, sometimes without appropriate documentation, or split orders in order to get around procedures that would require board approval for big ticket items.
today, but we have all heard of charities that despite relying on large amounts of volunteer labour still often waste a large portion, or even the majority, of their financial contributions on administration and salaries. Public bureaucracy uses often well-paid staff and high paid managers to execute the oppression detailed above, without volunteers (who would volunteer for such an awful task?). It is therefore not good policy to multiply bureaucracies or increase their size where it is not absolutely necessary and where cash payments/basic income can be far more effective.

2.4 Fourth Response: Externalities and current free-riding

Dumping toxins in the air, land or water at little or no private cost leads to tremendous public costs. This occurs in the form of health costs. It can occur in the form of aesthetic damage, such as the death of diverse natural spaces used for recreation, which often earn public revenue. The loss of inland fisheries, or the loss of local food security due to polluted land or groundwater, necessitates often lower quality imports and expensive new infrastructure to make this feasible. These are some examples of ecological dumping. As David Suzuki (2008) and James Hansen (2009) have argued, exacting a proper levy on the use of the commons can mitigate such destructive activity and bring it down to a sustainable level while generating large revenues for a 'green dividend' or green component to basic income.

New forms of free labour being extracted from populations, especially younger demographics entering the workforce, in the form of unpaid overtime work, unpaid internships, excessive hours worked without premium pay previously associated with these extra hours, deliberate misclassification of employees as self-employed etc. all represent social dumping (Perlin 2012; Pereira 2009; Standing 2009). Even more extreme versions of it involve the horrible vision of suicide nets placed outside the factory of mobile phone producer Foxconn (Trenholm 2012) as a twenty-first century solution to degrading labour. Off-shoring of labour has led to incredible profits for corporations like Apple, which is directly linked to Foxconn, as they carry out social and ecological dumping simultaneously with such moves.

These externalities and free-riding have public costs, some of which UBI can help turn into savings. This response to the cost objection will explore some of these possibilities, starting with health costs incurred as a result of deteriorating labour conditions, which UBI can help rebalance. When faced with growing job and income precarity employees are less likely to speak up or confront such abusive conditions for fear of losing their income and their mortgaged homes etc. UBI offers some ability to confront this degradation because a minimal, decent income is guaranteed. It may not be as high as your job income and it may not cover the expensive monthly payments on a large home and car, but it would always allow you to live in modest dignity and not miss a rent payment (or modest mortgage payment/refinancing), or see you through a difficult patch for an extended time. This will allow many more people to voice important concerns that are currently silenced, and if the situation is unbearable they could eventually choose to leave rather than sacrifice their health (or commit suicide) if the employer fails to improve the situation.

No new taxation of labour income, or personal income tax increases, are required to achieve this generation of revenue, which can help protect the commons, improve the functioning of the economy and dramatically reduce public health costs. Curbing harmful financial speculation through modest levies has long been discussed for its great revenue generating capacity in contrast to the almost negligible size of such levies (beginning with Tobin tax and many possible variations of it). Ecological, social and speculation (financial, real estate and other) costs are often borne by the victims of these activities, with perpetrators externalizing these costs into the public realm – free-riding. Corporate subsidies (“corporate welfare”) is yet another version of this phenomenon. It recently cost global citizens trillions of dollars in the form of bailouts to banking, financial, auto and other corporations.

29 Some anti-ecological activities such as nuclear power and its waste generation need to be banned outright, as several countries and other jurisdictions have already done. Many toxic chemicals are also not needed in food or other products – organic food production should be pursued much more actively. However, destructive mining activities to produce luxury items and many other unnecessary consumer goods for example should have much higher prices attached to them to reflect this ecological harm, if local communities have accepted the mining activity. Excessively large vehicles (SUVs), sports vehicles (cars, boats etc.) simply purchased as status items and burning excessive amounts of fuel are additional examples of items that should have a much higher ‘true-price’ for the damage they cause to the commons and greater amount of resources required in their production and daily usage/emissions, if society is not willing to ban these products outright.
Starting with social-labour dumping that is continually intensifying, in the Canadian context alone we find $33 billion in annual health costs, or savings available (MacQueen 2007; Pereira 2009), if this situation were addressed. In the past this type of abuse was countered through strong labour movements at the national level. The labour movement has not provided a successful response to these recent challenges of deterioration, partly because of the dynamics of globalization. A UBI can mitigate a lot of this harm by empowering people with a minimal amount of control or say, and security, in their working lives, which does not currently exist (the majority of workplaces being non-unionized in Canada). This can provide an opportunity for new forms of collective response and for labour unions to become more relevant to desperate employees seeking an improvement in the labour-market. Too many people have no hope or income security in confronting the challenges of rising stress, burnout and workplace disability associated with modern workplaces costing us $33 billion annually. “Stress is part of an explosion in workplace mental health issues” (MacQueen 2007), which is only intensifying with eroding income security.

Taking two-thirds of this $33 billion current cost, which is entirely avoidable, totals an additional $22 billion in indirect savings for UBI. One-third of this large amount is conservatively left in place to account for those who will continue to overwork themselves in pursuit of career objectives. But there is no reason why UBI cannot achieve better than this in restoring a healthy balance between work and life. Adding this amount to the total of $382 billion in available savings/revenue toward UBI implementation identified in sections 2.1 - 2.3 above, results in $404 billion in accumulated savings/revenue thus far available, without increasing taxes on labour.

Continuing with externalities, dumping and free-riding that impose public costs on society that can be mitigated and recouped through fair-pricing, let us consider the ideas of leading environmental thinkers and practitioners David Suzuki and James Hansen (former head of NASA’s Goddard Institute). Hansen (2009) argues a much more efficient and effective environmental proposal to address pollution and climate change than those currently on offer would be “fee and dividend” (carbon fee). His model based on usage of oil, gas and coal in the United States in 2007 would yield $600 billion per year and result in a dividend for each adult American of $3,000 per year. David Suzuki (2008) as Canada’s leading environmental thinker and personality sees even greater yields available in his modelling, while improving economic performance, sustainability and social well-being.

Taking one-tenth of the more conservative American figure above (approximate Canadian population relative to the U.S.) can result in an additional $60 billion in financing for a green dividend or green component of UBI ($3,000 in additional UBI per adult). This has the simultaneous benefit of addressing urgent global, national and local environmental priorities. Adding this figure to the $404 billion in savings/revenue available to UBI totals $464 billion. A large surplus is created by applying this figure to any of the most pessimistic and simplistic of cost assessments/objections to UBI, whether considering the NIT or demogrant versions of the idea.

We can still consider much-needed speculation levies (on financial and land speculation), as well as corporate welfare giveaways before even needing to discuss personal income tax increases that the cost objection assumes is required from the outset. The surpluses demonstrated so far show that taxes on labour (labour-market income) could even be cut.

3. Conclusion

Without raising any personal income taxes this study has shown that universal basic income is not too expensive to implement as a public policy. Savings from program replacement and redundancy make up the majority of the rationale for this argument. Public universal health care as a cherished institution/program has not been cut to achieve any program savings or financing for UBI. Implementing UBI in fact helps improve the health system by reducing unnecessary burdens upon it. The financial surplus generated by implementing a UBI (in either negative income tax or demogrant versions) can actually lead to a personal income tax reduction if so desired.

Savings from bureaucracy have not been costed or calculated, which would only make the case for UBI even stronger. Other revenue generating possibilities that do not include taxing labour, and which are
non-controversial, such as taxing financial or land speculation have not been included in the net costing or financing of UBI here. A surplus is achieved by implementing UBI even without these additional non-controversial financing options.

Total savings of $342 billion (§ 2.1) from redundant and/or ineffective programs alone exceeds the Young and Mulvale cost of $21.5 billion for an NIT version of UBI (well over $300 billion in savings/surplus). As discussed, the NIT and demogrant versions of UBI, the latter having much higher costs attached to it in the cost objection argument, are not that dissimilar in terms of final cost. The cost objection ignores the manner in which UBI is paid back in the demogrant version to arrive at a similar final cost to the NIT version. Total savings (§ 2.1) plus leakages in the existing tax system (§ 2.2) largely from tax havens and practices carried out through them total $382 billion – far exceeding Kesselman’s pessimistic costing of a demogrant version of UBI for Canada. Kesselman in his cost objection does not include any savings figures for UBI, nor does he address tax leakages and inefficiencies in the existing system that could be used to finance UBI. He simply jumps to the “need” to tax labour/personal incomes at “unacceptably” high rates to fund basic income. That has been proven false.

In the last two of four responses to the cost objection (§ 2.3 and 2.4) I demonstrate how additional financing can be generated to further increase the surplus available by implementing UBI. These last two responses are only costed in a very limited manner and can generate far greater revenues. Thus, it is the existing welfare system and status quo with inefficient, often counter-productive programs that is too expensive.

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References


30 For additional support on this point see Pasma and Mulvale (2009: 2) in which they state: “Although the cost for the government’s budget is greater than with an NIT, the end cost to taxpayers is not necessarily higher, since those with higher incomes pay the benefit back through their taxes. As well, the program may be cheaper to administer than an NIT because of the greater simplicity of its administration.”


Rainer, R. (2012) "Mr. Rob Rainer (Executive Director, Canada Without Poverty) at the Finance Committee." OpenParliament.ca. 31 May.

Rainer, R. and Ernst, K. (2014) "How can we not afford a 'basic annual income'?" *The Toronto Star*. 27 February.


Appendix:

**Missed Savings and Redundancies in the UBI Cost Objection: A Summary**

Young and Mulvale (2009) cost a “generous” UBI – enough to raise all Canadians out of income poverty – at $418 billion annually and find savings of $132 billion (leaving the Canada Pension Plan/Quebec Pension Plan untouched). This provides a net cost of $286 billion annually in their study, leading them to conclude UBI is financially out of reach. Kesselman (2013) costs UBI at $350 billion and provides no savings figures. Here are missed savings items that these studies failed to consider or cost to reduce the net cost (and even provide a surplus) for UBI. This is a summary of what is detailed in this study with a few additional items for consideration marked with an asterisk:
<table>
<thead>
<tr>
<th>Item or Program</th>
<th>Missed Savings (Billions)</th>
<th>Missed Savings Subtotal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additional tax revenue generation (at prevailing rates)</td>
<td>$86</td>
<td>$122.3</td>
</tr>
<tr>
<td>RRSP</td>
<td>$36.3</td>
<td>$122.3</td>
</tr>
<tr>
<td>TFSAs</td>
<td>$3</td>
<td>$125.3</td>
</tr>
<tr>
<td>Other tax shelters</td>
<td>$3</td>
<td>$128.3</td>
</tr>
<tr>
<td>Cost of poverty</td>
<td>$53</td>
<td>$181.3</td>
</tr>
<tr>
<td>Daycare - partial redundancy</td>
<td>$9</td>
<td>$190.3</td>
</tr>
<tr>
<td>Social housing (&amp; related programs) – partial redundancy</td>
<td>$4</td>
<td>$194.3</td>
</tr>
<tr>
<td>Additional income assistance/welfare advocated in the cost objection (to status quo programs)</td>
<td>$16</td>
<td>$210.3</td>
</tr>
<tr>
<td>WITB (ETC equivalent in the U.S.)</td>
<td>not costed</td>
<td></td>
</tr>
<tr>
<td>Special public employment projects advocated in the cost objection</td>
<td>not costed</td>
<td></td>
</tr>
<tr>
<td>Homeowner’s Property Tax Grant</td>
<td>not costed</td>
<td></td>
</tr>
<tr>
<td>Charitable tax deduction programs and gov’t grants (foodbanks, poverty alleviation)</td>
<td>not costed</td>
<td></td>
</tr>
<tr>
<td>Corporate welfare/subsidy programs</td>
<td>not costed</td>
<td></td>
</tr>
<tr>
<td>Sunshine list of excessive/high salaries in the public service*</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Missed Savings/Redundancies</strong></td>
<td><strong>$210.3</strong></td>
<td></td>
</tr>
<tr>
<td>PLUS: Tax leakage – current system</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Offshore tax havens/related evasion and tax avoidance</td>
<td>$40</td>
<td>$250.3</td>
</tr>
<tr>
<td>PLUS: Bureaucracy savings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Welfare elimination, social housing reduction, daycare reduction, OSAP etc.</td>
<td>not costed</td>
<td>$250.3</td>
</tr>
<tr>
<td>PLUS: Externalities/current free-riding</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social-labour dumping, health costs</td>
<td>$22</td>
<td>$272.3</td>
</tr>
<tr>
<td>Green dividend/carbon fee</td>
<td>$60</td>
<td>$332.3</td>
</tr>
<tr>
<td>Tobin tax and/or variations at the national level (financial speculation levies)</td>
<td>not costed</td>
<td></td>
</tr>
<tr>
<td>Land speculation levy</td>
<td>not costed</td>
<td></td>
</tr>
<tr>
<td>Taxing unearned income at the same rate as earned income*</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Missed Savings, tax leakage (in current system) and new revenue from pricing externalities</strong></td>
<td><strong>$332.3</strong></td>
<td></td>
</tr>
</tbody>
</table>

Adding this missed savings total (preventing externalities can also be considered savings, as this reduces public costs) to existing savings identified in Young and Mulvale (2009) of $132 billion, totals $464 billion in savings to be gained by implementing UBI.

Many items above have been costed partially or conservatively as explained throughout the chapter, leading to a greater potential for savings/surplus as a result of implementing a decent universal basic income. Several items have not been costed, leading to even greater savings than what is presented here.