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**POLICY MEMO**

# Universal Basic Income: The Necessity For Human-Centred Economic Modernization In Europe And Beyond

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Covida Collective | University of Victoria



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## Background and Research Question

The continuous global growth of economic entanglement, technological ‘advancement’, and the shifts of wealth associated with both, are impactful trends seen and felt by all. Nevertheless, these trends are realistically only beneficial to the continuously narrowing few. When we critically examine the specific challenges we as a global community face, the economic, and subsequent social challenges that have emerged from the consolidation of wealth corporately, generationally, and globally are the most visibly concerning and artificially created issues hurting the stability and flourishing of peoples and democratic values. However, in so being these are artificial issues in the sense that they are human constructed and socially maintained, they are then just as artificially and politically solvable; an optimistic view this memo will defend and demand a need for.

My research aims to bring into light economic and policy alternatives, specifically the increasingly discussed idea of a Universal Basic Income (UBI), which will aid in combating the disparity of economic well being within communities of all scales. Furthermore, this memo will critically question the current place and responsibility conglomerates of asymmetrical and largely untouchable power have in our increasingly polarized and economically inequitable liberal societies across the globe. It will also propose how new, pragmatic, forward-looking, data-driven systems of taxation and regulation are needed to ensure a human-focused economic future, an economic life that creates for everyone in society opportunities for success.

## Methodology/ Data

This memo and its findings are grounded on historical and contemporary evidence, statistics, and data, pulled from the academic literature surrounding both specific economic fiscal tools, and policy solutions. Specifically, I focus on Universal Basic Income and broader macro-economic trends and movements of wealth (or lack thereof).

Additionally, my methodology focuses on examining the micro-societal and micro-economic effects that policy options like UBI have on individuals. What I highlight through my findings is that many of the images and assumptions that form the stereotypes around the poor ‘other’ are largely a consequence of current normative systems. The data I work with is pulled from both small-scale alternative income studies, and from reports produced by international organizations such as the World Bank. My data collection and analysis aims to understand emerging future trends while emphasising the importance of the individual in policy considerations.

## Key findings

The powerful fiscal tool that is a Universal Basic Income (UBI), that being the unconditional and untargeted guarantee of a basic income, has gained a relatively sudden and sharp increase in its global appeal, and has become popularly and substantively referenced within contemporary economic and political discourse(s). The policy concept of a UBI has even become surprisingly politically palpable in the traditionally economicly-conservative United States, due largely to



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campaigning from politically diverse sections of civil society, and new political pundits, notably Andrew Yang. Nevertheless, the United States is not the only nation-state that is considering breaking the normative economic mold. While the current Covid-19 pandemic has unmistakably brought its own unique challenges to the global order of things, the pandemic has also clearly exposed long-standing and predated globally felt structural issues. These issues reflect the precarious economic and social positions that globally interconnected markets, states, and peoples have felt compounding for decades. These issues are, namely, the damaging and regressive consolidation of corporate, generational, and personal wealth, and the entrenchment of economic and social systems that create and uphold fiscal dependencies. Such dependencies contribute to inefficiency in economic flow and growth. Works such as the World Inequality Report (WIR)<sup>1</sup> highlight these issues in stark terms, with figures which show not only a decades long stagnation, but rather an actual decrease in the global share of economic growth. Such a trend reveals how the powerful rise of the few has become a detriment to the many. Equally important, tech and automation trends threaten to amplify this ever-growing distance between the few and the many. More optimistically however, WIR data also shows that these trends are reversible with alternative fiscal policies. Furthermore, the long-increasing issue of global inequality has non-coincidentally sparked equally transglobal political appeals. Such appeals speak to both the interconnected and damaged state of the global economic system, and to the universally pragmatic opportunity a UBI presents to all societies.

Even in this context, and due to the nature of what a UBI is, many often initially imagine this such policy as an endeavor of great cost, though as the data shows, the opposite is true. Economists estimate that a UBI of \$1000 per month,

<sup>1</sup> Chancel, Lucas, et al “World Inequality Report.” World Inequality Lab, 2018. <https://wir2018.wid.world/files/download/wir2018-summary-english.pdf>.

**Top 1% vs. Bottom 50% national income shares in the US and Western Europe, 1980–2016: Diverging income inequality trajectories**

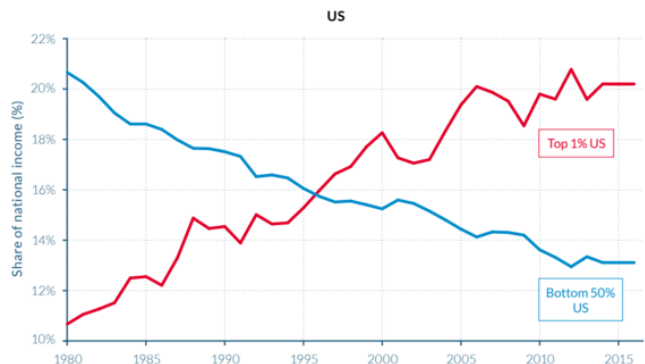


Figure 1: Source: WID.world, 2017. See wir2018.wid.world for data series and notes.- In 2016, 12% of national income was received by the top 1% in Western Europe, compared to 20% in the United States. In 1980, 10% of national income was received by the top 1% in Western Europe, compared to 11% in the United States

per adult, will lead to a 12.56 to 13.10 percent growth in GDP, or in an American example, about \$2.5 trillion; <sup>2</sup> all within less than a decade. This dramatic increase in economic growth stems from the multitude of positive spillovers created by a UBI, as well as the clear increase in aggregate demand, output, currency strength, and economic participation such an economic floor creates. This increase in participation and productivity is well seen in virtually all studies,<sup>3</sup> with an increase in the labor force, especially in self-employment and new business, stemming from and feeding into the greater positive loop of economic growth.

<sup>2</sup> Michalis, Nikiforos, et al. “Modeling the Macroeconomic Effects of a Universal Basic Income.” Roosevelt Institute, 2017. <http://rooseveltinstitute.org/wp-content/uploads/2017/08/Modeling-the-Macroeconomic-Effects-of-a-UBI.pdf>.

<sup>3</sup> Bastagli, Francesca. “Cash Transfers: What Does the Evidence Say? A Rigorous Review of Impacts and the Role of Design and Implementation Features.” ODI, 1 July 2016. [www.odi.org/publications/10505-cash-transfers-what-does-evidence-say-rigorous-review-impacts-and-role-design-and-implementation](http://www.odi.org/publications/10505-cash-transfers-what-does-evidence-say-rigorous-review-impacts-and-role-design-and-implementation).

What follows the implementation of a UBI are decreases in the many elements which contribute to cyclical based poverty and unemployment. Again using an American example, stemming from data pulled from real-life UBI pilot projects, this increased labor force participation would be estimated to result in the gainful employment of 4.5 to 4.7 million people within a less than a decade timeframe.<sup>4</sup> The groups of people seen at statistical risk to leave work because of a UBI are predominantly the elderly, new mothers, and child workers; all categories of people whose work often stems from a negative lack of choice.

Critics of the UBI fear that without the compulsion provided by desperate economic need, currently poor demographics would become significantly less productive, refusing to work, and would face increased drug use. However, humans, albeit in their own ways, naturally want to work, create, and succeed, and many of the stereotypes and fears around those currently in poverty refusing to work, or increasing their drug use because of a UBI or increased wealth, are simply not true. Countless studies have shown that a UBI actually decreases drug use, and other ‘temptation goods’ rates by wide margins in the previously poor.<sup>5</sup> Additionally, human and financial costs are saved with an equally drastic decrease in rates of hospitalization, mental illness, and poverty related crime.<sup>6</sup> The plethora of data and research makes clear that helping those in poverty helps the community. To further put this myth of wealth created laziness to rest, we may look at the benefits that occur as a

result of perhaps the most pragmatic and popularly proposed avenue of funding for a UBI; that being the dismantling of the current welfare models (save for care specific programs such as disability). The dismantling of these inefficient, targeted, and behaviourally trapping programs in favour of a much more beneficial and cost saving UBI policy, will not only help the greater economy, but will also help those currently stuck depending on these life-limiting welfare systems. Unlike current welfare systems, which typically feature an income roof - which disincentivizes work through the costly removal of benefits, a UBI will remove the roof, and raise the floor in terms of economic outlooks and opportunities. An additional key reason a universal approach is superior to a targeted approach, other than decreasing costly bureaucracy and removing reliance on regressive social programs, is that a universal approach removes the stigma often associated with receiving social funds. Removing such a stigma has been seen to increase personal and inter-community pride; and while this pride is often overlooked, it is critically important. The communal sense of benefit and ‘getting a piece of the pie’ is crucial to UBI’s public support and the success of the policy’s many long-term benefits.<sup>7</sup>

One core element that makes a UBI policy not only valuable, but necessary, is that the ever-growing consolidation of wealth within smaller and smaller groups and regions, and the rise of advanced automation and virtually-based conglomerates, are both powerful trends posed for exponential growth that need to be held in check. These are the key issues which a UBI addresses directly. Many of the world’s most influential, profitable, automated, and least taxed companies show no sign of slowing down,<sup>8</sup> nevertheless, as we transition to an economy rested

<sup>4</sup> Bastagli, Francesca. “Cash Transfers: What Does the Evidence Say? A Rigorous Review of Impacts and the Role of Design and Implementation Features.” ODI, 1 July 2016. [www.odi.org/publications/10505-cash-transfers-what-does-evidence-say-rigorous-review-impacts-and-role-design-and-implementation](http://www.odi.org/publications/10505-cash-transfers-what-does-evidence-say-rigorous-review-impacts-and-role-design-and-implementation).

<sup>5</sup> Evans, David K, and Anna Popova. "Cash Transfers and Temptation Goods." World Bank, Economic Development and Cultural Change, vol. 65, no. 2, 2017, pp. 189-221.

<sup>6</sup> Arnold, Carrie. "Money for Nothing: The Truth about Universal Basic Income." Nature, vol. 557, no. 7707, 2018, pp. 626-628.

<sup>7</sup> Rema, Hanna, and Olken Benjamin. "Universal Basic Incomes Versus Targeted Transfers: Anti-Poverty Programs in Developing Countries." The Journal of Economic Perspectives, vol. 32, no. 4, 2018, pp. 201-226.

<sup>8</sup> Pulkka, Ville-Veikko. "A Free Lunch with Robots – can a Basic Income Stabilise the Digital Economy?" Transfer: European Review of Labour and Research, vol. 23, no. 3, 2017, pp. 295-311.

upon a tech-based foundation, the outcome need not be negative. Policies such as a UBI will not only help remove the stagnation and debt that is leaving more and more generations and communities in an alarming and desperate position, but will also allow everyone to benefit from, and be productive in, our newly emerging economic reality. Such a reality can be made more human-centred, and sustainable through the implementation of a UBI.

A UBI then helps in 4 major ways: 1. The improvement of economic stability and growth. 2. The positive improvement and shift of societal trends by the decreasing of unnecessary personal hardships and cycles of poverty. 3. Ensuring positive equitability in the current and near future markets. 4. The removal of regressive structures that entrench social and economic dependencies.

### Conclusions

Long-escalating economic trends show that global markets are increasingly becoming less supportive of growth and the individual advancement of the person. The idealized goal and assumption that the markets will naturally maintain a growing and universally lifting economic floor without major structural change has largely become a fantasy; as the entrenchment of power within the narrowing few has become socially and economically clear. However, recent structurally shaking events, such as the current Covid-19 pandemic, have shown these faults in high detail. While these temporarily thought liberating events have positively increased the global support for pragmatic, non-partisan policy. Such as the soon permanent implementation of a UBI system in Spain,<sup>9</sup> and major support in nations such as Finland and Canada. Such events also show just how

deeply regressive and outdated many social and economic conventions have become. While a UBI is one of the best policy tools to use on dealing with economic stagnation and social inequality, additional policy alternatives are deeply needed. Specifically, corporations and high-net worth individuals whom escape current taxation regimes need to be made to pay their fair share, and broader policy decisions need to focus on creating and maintaining the ability and tools of advancement for those currently facing dwindling options. This includes the limiting of all regressive consolidations of power; and the move to a bottom-up approach with socially backed funding and supports. The unchecked and largely unilateral support and financing given to banks and mega corporations are notoriously bad for the economy, specifically the overall long-term debt a nation and its lower economic classes takes on as a result.<sup>10</sup>

### Recommendations

The measurable and increasingly dire failure of current economic policies has allowed and facilitated the proliferation of generational, technological, and inter-community wealth inequality across nation-states globally. In response, and in order to contribute to a more sustainable and equitable system that can restore the original ideals and efficiency of the liberal conception of capital as a social good, this memo puts forward the following recommendations:

**First:** The advocacy and implementation of a consistent, universal, inflation-hedged, and largely unconditional Universal Basic Income (UBI). Such a policy would ideally be primarily funded by the replacement of existing forms of welfare. Current

<sup>9</sup> Roig, Joseph Zeballos. "Spain Is Moving to Establish Permanent Basic Income in the Wake of the Coronavirus Pandemic." Business Insider. 6 Apr. 2020. <https://www.businessinsider.com/spain-universal-basic-income-coronavirus-yang-ubi-permanent-first-europe-2020-4>

<sup>10</sup> Acharya, Viral, Itamar Drechsler, and Philipp Schnabl. "A Pyrrhic Victory? Bank Bailouts and Sovereign Credit Risk." *The Journal of Finance*, vol. 69, no. 6, 2014, pp. 2689-2739.



welfare systems have unnecessarily high administrative costs and are inefficient. In addition, they generate socially limiting stigma and disincentivize people from working. An ideal UBI would additionally utilize or require the implementation and/or rework of a Value Added Tax (VAT). Such a tax would target the sale and transfer of both luxury items, and the goods and services of large, and virtually-based corporations that escape other forms of taxation. Personal taxation would shift and become more focused on the personal wealth of the mega-rich. It is important to note that the costs of a UBI are demonstrably mitigated over time. The increase in tax revenue, productivity, innovation, and GDP stemming from a UBI, along with the decrease in costs associated with health care and crime, are all elements which feed into each other to create a greatly positive ‘spillover’ effect. This makes such a fiscal tool an integral cost saving and wealth advancing measure, both financially and socially. Therefore, this policy is well suited to be implemented in virtually every nation-state. When needed, the EU and other influential actors may help financially disadvantaged states or communities put such a system in place by efficiently deploying funds already allocated to the subject of welfare and development. The targeted transfer of funds meant to help implement a non-targeted fiscal floor creates equality and positive competition between states. Additionally, in the European Union a UBI would strengthen the Euro, financial efficiency, and the stability of European markets. More broadly, a UBI will critically help to create stability between the have and have nots, and between the European communities and states who have notably deep issues with their current position within the EuroZone. These are issues and divisions that have fueled rising nationalistic tendencies and integratively based skepticism.

**Second:** To further address the underlying systems that have created the current and unsustainable consolidations of wealth, governments need to do the following:

- Become committed to the restructuring of monopoly laws, especially concerning residential and commercial real estate property ownership;
- Pursue identifying and crafting policy around non-competitive or detrimental consolidations of power, especially those which stem from the heavy utilization of automation, or avoidance of tax through technological and virtual means. This includes adopting pragmatic and forward-looking systems of taxation, such as a ‘robot tax’, which would limit the costs of automation on human workers by taxing the former’s blatant replacement of the latter.
- Focus loans, funds, and tax breaks on small and medium scale businesses, including cooperatives.
- Implement restrictions around the policies associated with the bailing out of, or transferring of money through, mega-corporations and banks. This involves implementing and requiring these entities to agree to terms and rates which help to equalize the market and symmetrically benefit all agents in society. Such a move can assist in the avoidance of flaming personal and sovereign debt risks in crises.

### Reflection

Human society has always faced social, ecological, and economic challenges that have forced changes in our

political structures and behavioral patterns. Nevertheless, the complex and accelerated nature of the many emerging contemporary crises we face today, presents a unique challenge to governments, policymakers, and civil society alike. Undoubtedly, the stability of the global networks of human cooperation and flourishing are at stake. These networks are worth saving, and the challenging crises that we are collectively facing require all actors to understand, be creative in, and advocate for difficult policy and dialogue. Such stances and actions are not only viable, but also categorically beneficial, and infallibly necessitous.

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### COVIDA

The COVIDA collective aims to provide a fresh, transformative perspective on global politics. Founded in Victoria BC, we are a dynamic and collaborative group of engaged civic citizens and academics with various backgrounds ranging from biology to law. We advise global policy with the goal of promoting sustainability, democracy, and equality.

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