

## **BASIC INCOME FUNDING POSSIBILITIES**

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An Unconditional Basic Income (also called as Basic Income, Basic Income Guarantee, Citizen's Income, and Universal Basic Income) is a form of social security system when all residents of a country receive an unconditional sum of money systematically. UBI can be structured to be received by citizens in addition to their other incomes or excluded by only one regularly Basic Income. It can be organized as part of government obligation to their citizens. Basic Income is not considered a welfare program. It is supposed to be a guarantee that every single human being in our society should have a shelter, food, and health care. A basic income would give real meaning to the promotion of human dignity. A person who has the assurance that his or her daily needs for food and shelter are met will not feel fearful of becoming dependent on others for bare survival. <sup>1</sup>

In comparison to a minimum wage laws, purpose of Basic Income to perpetually treat a symptom and not a cause. The problem, which Basic Income should solve is that employees aren't getting paid enough at work. Basic Income, should be enough money outside of work to cover people's most basic living expenses.

In this article, we will discuss the possibilities of funding of idea of Basic Income for successful implementation. The affordability of a basic income proposal relies on many factors. Main two of them are the costs of any public services it replaces and if tax increases are required. Another factor is viewed is less tangible auxiliary effects on government revenue and/or spending. Those considers that Basic Income may reduce crime, thereby reducing required expenditure on policing and justice.

Through the history, for a socialism market, many proposed financing of Basic Income System by profits of publicly owned enterprises, which often called as Social dividend or Citizen's dividend. For the capitalistic system the major financing of Basic Income was suggested through the various forms of taxations.

Here we are listing different sources of funding for Basic Income, which were proposed through the time. They are considered on the basis of social ownership of the means of production and/or natural resources.

- Sales taxes;

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<sup>1</sup> G.Standing, Basic Income: A 21st Century Economic Right, -Institut de Drets Humans de Catalunya, [http://www.guystanding.com/files/documents/CDHE\\_Standing.pdf](http://www.guystanding.com/files/documents/CDHE_Standing.pdf)

- Value added tax or other Consumption taxes.
- Income taxes;
- Capital gains taxes;
- Increased Income tax threshold (the level of income, at which a person starts paying income taxes);
- Inheritance taxes;
- Wealth taxes (also capital tax, equity tax, net worth tax; tax; wealth taxes are based on the market value of owned assets, e.g. property);
- Luxury taxes (taxes on items, which are not necessary for living, but are deemed as highly-desired within a culture or society; luxury tax is an indirect tax in that the tax increases the price of the good or service and is only incurred by those who purchase or use the product <sup>2</sup>);
- Technology taxes (the progress in the world has a big impact on the economy – it is becoming increasingly dominated by automation (machines and software), which in each turn increases the unemployment of people; as an example, we can suggest the taxes levy for the switching from high populated factory to a fully machinery factory);
- Financial transaction tax (placed on a specific type of monetary transaction for a particular purpose and are not considered to include consumption taxes paid by consumers);
- Pollution taxes;
- Taxes or fees from government-created monopolies (such as the broadcast spectrum and utilities);
- Land and Natural Resource taxes (those are taxes based on economic philosophy named as ‘Georgism’, which states that, while people should own the value they produce themselves, economic value derived from land, which includes natural resources and natural opportunities, should belong equally to all members of society. Henry George, after whom the philosophy was named as ‘Georgism’, discussed in his work ‘Progress and Poverty’ (1879), that the value of land or location, are rightfully owned in common by individuals in a community rather than titleholders. In his book he states “A person is rightfully entitled to the product of his or hers labor (or the labor of someone else from whom the right has been received. It is production that gives the producer the right to exclusive possession and enjoyment). ... The essential characteristic of wealth is that it embodies labor. It is brought into being by human

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<sup>2</sup> Investopedia Website, [http://www.investopedia.com/terms/l/luxury\\_tax.asp](http://www.investopedia.com/terms/l/luxury_tax.asp)

exertion. Its existence or nonexistence, its increase or decrease, depends on humans. The essential characteristic of land is that it does not embody labor”<sup>3</sup>);

- Fiat money (currency that a government declared to be legal tender, but is not backed by a physical commodity; in economics fiat money considered as an intrinsically valueless object that widely accepted as a means of payment);

- Tobin tax (tax on all spot conversions of one currency into another, it is intended to put a penalty on short-term financial round-trip excursions into another currency, which would be a way to manage exchange-rate volatility);

- Elimination of current income support programs and tax deductions;

- Money creation or seignorage (revenue or a profit taken from the minting of coins, usually the difference between the value of the bullion used and the face value of the coin);

- Tariffs, the lottery;

Sources of funding are different and arguable. But there is another question raise - how to set the rate for the Basic Income, so it will benefit everyone? By setting Basic Income too low and withdrawing other social and welfare benefits, it could end up hurting the very people it was designed to help most. The program which was implemented in Iran, giving set equal amount to every head of household of every family, maybe should be a bit higher amount of cash, but only for the poor people. In that case, if the Government runs into financial shortage, it would still be able to provide for the poor people. The program implemented in Iran showed, that even though Iranian government thought they can afford to distribute extra cash to its population, the reality proved opposite. After a year government start having problems with financing. As a result of that, they slowly reduced population who was getting free cash.

In conclusion, it can be said that the idea of Basic Income can be implemented if there are reliable and sustainable sources of funding. One might argue that multiplier effect from the funds spent by the recipients of Basic Income might generate sufficient economic activities and drive growth and expansion of local economy that in turn might make significant contribution in to the program.

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<sup>3</sup> H. George, *Progress and Poverty*, -1879, 319 pages, page 184.

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Basic Income is a relevant idea and concept, which is being discussed for an implementation in many countries of the world today. The article reviews affordability and possibilities of funding of the idea of Basic Income for successful implementation. Briefly it discusses the possibilities of funding in capitalistic system, as well as in socialistic system. The possible sources of funding are listed with the explanations.

**Армине Галстян**

**Возможности финансирования Базового Дохода**

*Ключевые слова: Базовый доход, финансирование, налоги, бедность, доступность*

Базовый доход является актуальной идеей и концепцией, которая обсуждается для реализации во многих странах мира сегодня. В статье рассматриваются возможности и доступности финансирования идеи Базовый дохода для успешной реализации. Кратко обсуждаются возможности финансирования в капиталистической системы, а также в социалистической системы. Возможные источники финансирования приведены с объяснениями.

**Արմինե ԳԱԼՍՏՅԱՆ**

**Հիմնական եկամուտի ֆինանսավորման հնարավորությունները**

*Բանալի բառեր. Հիմնական Եկամուտ, ֆինանսավորում, հարկեր, աղքատություն*

Հիմնական Եկամուտը ակտուալ գաղափար և հայեցակարգ է, որը քննարկման և իրականացման փուլում է շատ երկրներում այսօր: Հոդվածում վերանայվում և քննարկվում է Հիմնական Եկամուտ գաղափարի ներդրման մատչելիությունը և հնարավորությունները ֆինանսավորման Հիմնական Եկամուտի գաղափարի հաջող իրականացման համար: Հակիրճ քննարկվում են կապիտալիստական, ինչպես նաև սոցիալիստական համակարգում ֆինանսավորման հնարավորությունները: Հնարավոր ֆինանսավորման աղբյուրները թվարկված են իրենց բացատրություններով: