

HISAR SCHOOL
JUNIOR MODEL UNITED NATIONS 2021

"Combating Polarization in Times of Global Crisis"

Economic and Social Council
(ECOSOC)

*Evaluating the potential of universal
basic income policies in abating
poverty*

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**RESEARCH
REPORT**



Forum: Economic and Social Council

Issue: Evaluating the potential of universal basic income policies in abating poverty

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Introduction

Universal Basic Income is a social policy in which the state periodically provides a certain sum of money to each citizen, regardless of their employment status. The target aim of any UBI program is to reduce or prevent poverty and increase citizens' socioeconomic equality. Those who advocate for the implementation of a UBI program support the notion that each citizen is entitled to an income provided by the state. The exact amount of the money that should be given to each citizen, or how much of an individual's expenditure this basic income should cover can vary according to country or agenda, but it is agreed that UBI should at least be enough for a citizen to cover their cost of living without any other source of income.

A fundamental argument in support of the universal basic income is that it could help to eradicate poverty, regardless of what the causes of poverty are. In fact, if the basic income were set above the poverty line, it should theoretically lead to the complete elimination of absolute poverty. The crisis we are currently in has resulted in major polarization all over the world. The usage of UBI may help better the situation in an economical aspect.

Definition of Key Terms

Universal Basic Income (UBI): UBI is a system in which regular cash payments are made to a given population with minimal or no requirements for receiving the money, in order to increase people's income, according to the International Monetary Fund.

Guaranteed Minimum Income (GMI): GMI ensures that citizens have sufficient income to live from.

Poverty: Poverty is a state or condition in which a person or community lacks the financial resources and essentials for a minimum standard of living.

Basic Income Guarantee (BIG): The Basic Income Guarantee is a government guarantee that no one's income will fall below the level necessary to meet their most basic needs for any reason.

Welfare programs: Welfare programs are programs orchestrated by the government to provide financial aid to individuals or groups who cannot support themselves.

General Overview

Reducing Income Inequality

More recent arguments progressed by the defenders of UBI, as referenced above, identify with occupations and pay gaps coming about because of quickening innovative changes, for example, digitalization and mechanization. A fundamental pay strategy could be actualized as an answer to shield individuals from technology-induced job losses (Sheahen, 2012). The reverse relationship could also be possible, where a UBI would help reduce public resistance to technological innovation by providing basic life security. A basic income is generally advocated to help reduce income inequality, as UBI proposals are typically financed through a progressive income tax or by cutting subsidies favouring the wealthy.

Arguments for Basic Income

Superiority over less comprehensive welfare benefit programs

Welfare or unemployment programs often involve convoluted processes- in many states, eligibility for these programs require the recipient to have an income less than a certain amount, and in some programs, the recipient must apply to a minimum number of jobs every month and accept any job offer that is made to them, no matter if it's a good fit or if it pays well. Additionally, as the program helps those whose income is below a certain amount, actually getting a job either terminates the entire welfare benefit (e.g. USA), or decreases it (e.g. Finland).

The problem with these kinds of programs is that instead of laying a safety net for unemployed and impoverished citizens, they trap them in poverty. The idea of losing the state-issued welfare benefit because of getting a job frightens many people - the insecurity they feel about their fiscal status prevents them from trying harder, which is why this kind of program promotes passive behavior. Additionally, having to report income adds another layer of bureaucracy to the mix, which leads to people having less time on their hands and becoming intimidated by the process.

This counterintuitive type of welfare benefits system could be replaced with a more comprehensive program such as UBI to promote more entrepreneurial behavior. The impoverished would not worry about losing their benefit and be free to pursue their business ventures, knowing that their welfare is secured by the state in case things don't turn out as expected. For many, the knowledge that a form of income is guaranteed is enough security to carry out their business ventures.

Lowered productivity/motivation

It might seem that by taking away the idea of having to go to work to sustain oneself, one would be leaving people with no reason to work. That is not true in most cases, though. Throughout their lives, many people seek activities or relationships in order to make their lives more meaningful. For many, going to work and producing something or being part of a team gives their life meaning, which is why receiving an unconditional sum of money would not motivate many people to quit their jobs. Perhaps, the only thing UBI would change is why people go to work- some of those who go to work for the sole

purpose of earning income don't find their work fulfilling, but have to work in order to have money. If work becomes a vocation rather than a necessity, these people can pursue jobs that are actually in line with their passion. The General Assembly on September 25, 2018, Antonio Guterres stated that "The very nature of work will change. Governments may have to consider stronger safety nets and eventually, universal basic income". This is true. What is important to notice is that even if the nature of work does change, people will still be willing to go to work, just for more personal and fulfilling reasons.

Major Parties Involved and Their Views

India: Recently, the National Human Rights Commission (NHRC) informed the United Nations Human Rights Council (UNHRC) that the Indian government was examining and actively considering the recommended implementation of a universal basic income (UBI). The Indian government had acknowledged the proposals in September 2017. There have been calls from the private area just as common society for the public authority to give a critical monetary push to the economy battered by COVID-19 pandemic. It's conceivable that the public authority is thinking about UBI as one answer for supporting the homegrown demand. If India takes up the cash spent on non-merit endowments and income renounced essentially on account of duty concessions to organizations, presents huge new tax assessment from the rich, and eliminates some inefficient government assistance programs.

Russia: Russia, the impact from UBI would be higher than in different nations in light of the fact that numerous social guide measures are significant just for specific classifications of relevant only for certain categories of residents in Russia and often do not reach people who really need them. In Russia, 10% of the least wealthy citizens would benefit from the innovation. In Russia, if everyone were to receive money equal to the minimum consumption basket, about 16% of GDP would be needed. If the payments were to cover the deficit of incomes and get the people out from under the poverty line, about 4% of GDP would be needed, according to the World Bank experts.

China: China has been rapidly catching up with other advanced economies on a variety of indicators. According to estimates from the International Monetary Fund (IMF), China contributed to nearly 39% of the global economic growth in 2016 (IMF, 2017). Accompanying its rapid economic ascendance, China has achieved remarkable development progress, attaining major Millennium Development Goals (MDGs) targets. Most notably, 439 million poor (UNDP China, 2016b) were lifted out of poverty between 1990 and 2011 in China, when calculated against the World Bank's poverty line of 1.25\$/day. UBI is a potential option to provide a basic and widespread safety net, creating a buffer against future risks for everyone. In this section, the paper will tentatively analyse the possibility of adopting a UBI in China, focusing mostly on the enabling and disabling contextual socio-economic factors.

Unconditional Basic Income Europe: UBIE is an international, European activist network that takes initiatives for the implementation of Basic Income in Europe. The organization recognizes Basic Income as a human right and is taking measures to make this right better recognized. UBIE was formed in 2013 as a result of the European Citizens' Initiative for Unconditional Basic Income, which was supported by over 300,000 EU citizens at the time.

Evaluation of Previous Attempts to Resolve the Issue

There have been many attempts and experiments to implement some form of Basic Income in the past. There were many attempts at UBI in the 1970s, with varying degrees of success. There was a time when many states were seriously considering implementing a form of UBI, but none of these experiments yielded satisfactory results.

The Nixon administration (1969-1974) had considered a form of Basic Income called Negative Tax Income, where the amount of tax a citizen paid increased with their wage, and if it was below a certain minimum, the citizen paid no taxes, and instead received an amount of payment by the state. However, this plan was never actually implemented.

There was a referendum in Switzerland in 2016 to implement some sort of basic income model, but the proposal was rejected by nearly 77% of the public. The opposition feared that with Switzerland's high standards of living, this plan would lead to a lot of migration.

Finland's 2017 attempt is amongst the more ambitious UBI examples. This specific example is detailed in an earlier section of this report. What makes the experiment different than others is that Finland is a country whose social welfare programs are already quite comprehensive, and yet, UBI was seen as an alternative worth considering. It is still unclear whether the Finnish government will implement basic income on a statewide scale or not.

Possible Solutions

The issue is about exploring the implications of potential UBI systems. As such, a resolution written on this topic does not necessarily have to be about implementing a UBI program. Solutions listed may be about the stages of preparation that a state has to undergo in order to become ready for the implementation of UBI. The resolution does not even have to support the implementation of UBI, but the writing of such a resolution would be tricky- if one is to write such a resolution, the resolution must still be constructive and productive. If the resolution is to support the implementation, though, the first and foremost step that has to be taken is raising awareness of the public, and getting the opposition to support UBI. The referendum that took place in Switzerland showed that 77% of the population was against the implementation of a Basic Income model. This shows that some states (and their population) aren't yet ready for a Basic Income program, possibly with good reason. For instance, the reason why Swiss citizens opposed the proposition was that it would cause more migration, and that it would be expensive with the country's high standard of living. The public must be informed, but while doing so, it is paramount not to ignore their more rational concerns. In states where there isn't a Guaranteed Minimum Income program present, steps might be taken to first implement this program, and then gradually move up to UBI. Another form of social policy changeover would be to first test the UBI policy on a pilot group- if the pilot run is successful, the program can be implemented on a state-wide scale. If not, the policymakers would consider alternatives for success.

The resolution can also focus on research concerning UBI. For example, the benefits and drawbacks of UBI programs could be weighed through simulations or real-life experiments with pilot groups in order to determine the feasibility of implementing UBI in a country.

It is also important to realize that what works for one country may not work for another. Therefore, the suggested solutions should be flexible enough for states to adapt and accommodate to their own citizens' needs.

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