

RADIX PAPER NO 21
MAY 2021

by Kevin Langford

RADIX

THINK
TANK
FOR THE
RADICAL
CENTRE

A woman with a backpack is climbing a staircase made of wooden crates. The crates are labeled 'JOB', 'INCOME', and 'OPPORTUNITY' from left to right. The background is a gradient of colors from yellow to red to blue. The woman is on the 'JOB' crate, looking towards the 'INCOME' and 'OPPORTUNITY' crates.

MONEY FOR NOTHING?

A review of Job Guarantee Programmes, Universal Basic Income
and other radical schemes for redistribution



“SO DISTRIBUTION
SHOULD UNDO EXCESS,
AND EACH MAN
HAVE ENOUGH”

KING LEAR, ACT 4, SCENE 1

CONTENTS

| | PAGE |
|------------------------------|------|
| SUMMARY | 4 |
| 1. INTRODUCTION | 9 |
| 2. A JOB GUARANTEE PROGRAMME | 15 |
| 3. UNIVERSAL BASIC INCOME | 32 |
| 4. DIRECT HELICOPTER MONEY | 49 |
| 5. CITIZENS' WEALTH FUNDS | 54 |
| 6. CARBON DIVIDEND | 66 |
| 7. SUSTAINABLE GDP SHARE | 78 |
| 8. CONCLUSION | 84 |
| BIBLIOGRAPHY | 86 |

MONEY FOR NOTHING?

A review of Job Guarantee Programmes, Universal Basic Income and other radical schemes for redistribution

BRITAIN IS AN UNEQUAL SOCIETY

Long term trends in technology, globalisation and demography have weakened the market position of labour and increased inequality as well as causing a loss of dignity for many because of the importance attached to a “good job”. This paper considers strategies to address these challenges.

The past decade has starkly exposed the extent to which Britain has become an unequal society. Austerity, Brexit, the collapse of Labour’s red wall, the uneven impact of the pandemic: all have underlined the uneven distribution of wealth and income.

Addressing the problem has several interlinked dimensions and involves dealing with:

- *Inequality of esteem as well as of income and wealth;*
- *A loss of faith in fiscal policies and a loss of trust in government and politicians, which constrains the ability of government to increase ‘visible’ taxes;*
- *The difficult background of the climate emergency and the economic aftermath of Covid-19.*

Financial inequality could be addressed simply through making our existing means-tested benefits more generous while keeping the tax cost as under the radar as possible. But there are limits as to how far this approach can be taken and it leaves other systemic issues unanswered.

We consider whether some more radical alternatives offer better overall solutions which are financially feasible and politically deliverable.

JOB GUARANTEE PROGRAMME - NICE METAPHOR BUT NOT VIABLE

Our finding is that the Job Guarantee Programme, as proposed by Modern Monetary Theory, is most usefully seen as a thought experiment highlighting some matches in the economy between unmet needs and available labour, rather than a proposal to be taken literally.

A Job Guarantee Programme seeks to strengthen the market position of labour by guaranteeing everyone a job, and its proponents, from the economic school of Modern Monetary Theory (MMT), argue that in the long run this will lead to a stronger economy. In doing so, they build on Keynesian arguments about positive government interventions in the labour market to propose a programme to give everyone a job.

THE JOB GUARANTEE PROGRAMME, AS PROPOSED BY MODERN MONETARY THEORY, IS MOST USEFULLY SEEN AS A THOUGHT EXPERIMENT RATHER THAN A PROPOSAL TO BE TAKEN LITERALLY

We are sceptical about the key elements that would differentiate a UK Job Guarantee Programme from more conventional progressive approaches. We do not believe the Government could offer well-regarded 'good' jobs to everyone who wants them on the basis of sensible assumptions about how the economy would then be likely to operate.

UBI - NOT VIABLE AT A WORTHWHILE LEVEL

In our view, a modest £60 per week UBI would be financially feasible and have some advantages compared to a financial/operation fix of Universal Credit. However, at this level it would not provide enough to live on or significantly reduce means-testing, thus failing to deliver on its core narrative. A higher UBI is simply not politically or financially viable.

Advocates of UBI argue that we need to move away from treating jobs as the only 'good' source of income, and from the stigma and complexity of means-testing. Traditionally, they argue that UBI should be set at an income sufficient to live on so as to achieve these goals.

Our analysis suggests that there is a financially feasible simple UBI scheme which could provide around £60 a week to every working age adult. This would, however, cost up to £25bn-£30bn. While it would make a substantial difference to poorer households by providing them with a greater proportion of secure (i.e. non-contingent) income, it would only reduce the number of people subject to means testing by 10-20%.

In comparison, delivering a similar financial benefit to those poorer households within the current benefits system would cost £10bn a year. The additional £15bn-£20bn is the cost of attaining the 'systemic' change delivered by UBI.

The additional expense and the change to existing tax and welfare arrangements inevitably creates losers as well as winners and 20-30% of households are likely to end up worse off. For most of those outside the top decile, losses would be modest, but nonetheless this level of losers is a political challenge.

Given the propensity of financial losers to be more vocal than winners, we are unconvinced that polling evidence purporting to show support for UBI would be sustained, let alone be sufficient to shift the national conversation about the role of jobs more generally. Nor would this level of UBI provide sufficient 'systemic' benefit to offset its financial and political cost.

A UBI REMAINS ATTRACTIVE BECAUSE IT ADDRESSES CRITICAL SYSTEMIC ISSUES, BUT A FORMULA HAS YET TO BE FOUND THAT WILL FLY POLITICALLY AND IS WORTH THE EXTENT AND COST OF CHANGE

A UBI remains attractive because it addresses critical systemic issues, but a formula has yet to be found that will fly politically and is worth the extent of change and additional cost that is required.

ALTERNATIVE SCHEMES – FEASIBLE REDISTRIBUTION AND POSITIVE NARRATIVES

There are other more modest ideas involving unconditional payouts which combine a level of redistribution, new narratives of entitlement and political deliverability. In this paper, we recommend direct helicopter money delivered into individual bank accounts, a carbon dividend for the young, and a sustainable GDP payout.

WE RECOMMEND DIRECT HELICOPTER MONEY DELIVERED INTO INDIVIDUAL BANK ACCOUNTS, A CARBON DIVIDEND FOR THE YOUNG, AND A SUSTAINABLE GDP PAYOUT

Though diverse, these schemes can all be linked to a broader political narrative. This argues that we all contribute to the development or, in some cases, degradation of the UK's economic, environmental and social assets, and so should all be equally rewarded. It seeks to disassociate work from worth, one of the key objectives of UBI's proponents. And it aims to give individual citizens a greater personal stake in the country's economic performance and its political debate.

Taking each of the schemes in turn they are:

- **Direct Helicopter Money:**
if unconventional monetary policy is going to be deployed then we should do this in a way which benefits everyone rather than only those possessing financial assets and property. So, we propose that everyone should receive (say) £150 twice a year whenever inflation is below the Bank of England's target.
- **Carbon tax and dividend:**
the proceeds of a carbon tax could be evenly distributed across the young since they will be the losers from climate change if nothing is done.
- **Sustainable GDP Share UBI:**
a modest monthly payment to individuals linked to the country's success in achieving a redefined sustainable GDP, linked to environmental or other sustainability goals.

We also consider in this paper a Citizens' Wealth Fund endowed with a one-off wealth tax¹ which would be invested to deliver an annual income of £1000 to everyone in twenty years' time. While this may eventually deliver some of the benefits we are looking for, we do not think a wealth tax of the scale required to endow a meaningful fund would be politically deliverable.

CONCLUSION

Given the urgent need to address the inequality in wealth and income in this country at a fundamental, systemic level, we are proposing a mixed programme of policies which provides a better way forward than a Job Guarantee Scheme or a UBI.

We don't think that a Job Guarantee Programme works, although we support the view that the state should be prepared to intervene to bring more people into the workforce.

A UBI improves distribution and provides the less well-off with a limited income not linked to employment.

However, a UBI of £60 a week is still relatively expensive and doesn't deliver enough 'bang for the buck' to overcome political obstacles.

But this does not mean that the best approach to inequality is simply to increase benefits and accept a slightly higher overall higher tax burden to finance this.

Instead, we recommend a combination of alternative policies: payments linked to a 'Sustainable GDP', distribution of proceeds of a new carbon tax to younger adults and doing QE differently.

This is an innovative programme and only a broad sketch. There is more work to be done before one could implement these proposals, alone or in combination. Nevertheless, these policies are linked by a single political narrative that is attractive and sustainable and fundamentally are more likely to be financially, politically and practically deliverable than the other proposals.

We, therefore, commend them as the basis for a way forward.

1. On the model recently proposed by the Wealth Tax Commission

Table A Simplified comparison of redistribution schemes²

| | Increased Universal Credit | Simple UBI | Direct Helicopter Money | Carbon Dividend | Sustainable GDP Share |
|---|----------------------------|---------------------|-------------------------|-----------------|-----------------------|
| Annual 'income' | None | £3,120 | £300 | £650 | £1,000 |
| MADE TO | | Working Aged Adults | Adults | Adults Under 30 | Working Aged Adults |
| Benefit for individual on Universal Credit | £1,150 | £1,154 | £300 | £241 | £370 |
| Benefit for 2 adults and 2 children on UC | £2,300 | £2,309 | £600 | £481 | £740 |
| Required increased in income tax and NI (£bn) | 10 | 25-30 | 0 | 0 | 8-10 |
| Other tax increases (£bn) | 0 | 0 | 0 | 8 | 0 |

2. Simplified model. Costing of the Universal Credit increase assumes £1,150 additional for single claimants and £2,300 for households with 2 adults based on a full roll out of Universal Credit and a normalized level of unemployment. The UBI is a simplified version of the scheme presented in Torry (2021) restricted to working age adults. Other schemes are as described in this report. Tax and National insurance increases are estimates of the increased tax cost for losers under a given scheme less the benefits those losers receive from the UBI or similar payment; see chapter 3 for a fuller explanation.

1 INTRODUCTION

1.1 THE PROBLEM OF DISTRIBUTION

Over the last 40 years inequality of wealth and income has increased within most of the major economies. The UK has been no exception. Since 1980, the bottom 50% of adults (by income) in the UK have seen their share of national income decline, and the share of those at the very top has risen³. Within the UK the problem has been brought into specific focus by the 2007/8 financial crisis and the 'austerity' that followed it, the troubled implementation of Universal Credit and by the perceived 'rebellion' of the 'left behind' in the Brexit vote, but the phenomenon is global suggesting that it is due to systemic factors rather than particular UK choices or missteps.

SINCE 1980, THE BOTTOM 50% OF ADULTS IN THE UK HAVE SEEN THEIR SHARE OF NATIONAL INCOME DECLINE, AND THE SHARE OF THOSE AT THE VERY TOP HAS RISEN

A combination of globalisation, demography, technology and changing political and economic orthodoxies has

reduced the market power of less skilled labour and has driven this more uneven distribution of income and wealth. This in turn has contributed to a weakening of the 'contract' between society and its poorer citizens and reduced support for institutions and elites⁴. It may also have contributed to a slowing in the pace of productivity growth as economic and political power has become more concentrated, though some of the evidence here is less clear.

There is an argument that over the coming years this will sort itself out⁵. Demographic trends will reverse, labour will become more powerful, and we will have a different set of problems to deal with including a revival of inflation and high interest rates. Others have argued that the rise of Artificial Intelligence (AI) and other technologies will permanently displace a large proportion of jobs. Good advice from some experienced economists⁶ is that our track record in relation to this kind of medium or long term view of the future is poor and that we just don't know. We are unlikely to be wasting our time if we focus on redistribution as a problem now.

3. Inequality as measured by the UK's Gini coefficient increased from the mid-twenties in the 1960s and 1970s to the mid-thirties from around 1990 - House of Commons (2020). Estimates from the World Inequality database show the share of pre-tax national income of the bottom 50% falling from 23.5% in 1980 to 20.6% in 2017, which would mean that over that period this group saw a CAGR of 1.3% in their income compared to 1.7% for the top 50% (author derived figures). See World Inequality database and Goodhart and Pradhan (2020) for global figures

4. Sandbu 2020, Saez and Zucman (2019), Lonergan and Blyth (2020)

5. Goodhart & Pradhan (2020) provide a recent clear statement of this

6. P Orszag, R Rubin and J Stiglitz (2021)

1.1.1 Constraints on redistribution

Redistribution can only be implemented with some important constraints. Economically, any proposal must balance optimal redistribution against any consequent damage to the productive capacity of the economy. Politically, it must be able to command enough support both to be implemented and to be sustained. And like every other major government decision in the first half of the 21st century it must take account of any impacts, favourable or adverse, on global warming.

There is a limit on how much redistribution can be funded from taxes. One limiting factor is straightforward economics; if marginal taxes get too high then people work less, the tax base declines and so does output from the economy. This is most likely to be true at the bottom of the income distribution (where the withdrawal of benefits under means-tested systems can create high effective marginal rates) but could also result at some point if we increase taxes at the top of the income structure. There is significant literature on this, and while the rate at which higher taxes on income impact output is disputed, the fact that they have an impact is not.

A second limiting factor is more political and seems to be a particular feature of UK⁷ national dialogue.

Few people anywhere want to pay more taxes. But the trajectory of the political narrative since the 1970s, a lack of transparency, a particularly adversarial media climate and declining trust in government (partly as a function of increased inequality) have made this a particular problem here. There is a low tolerance of 'visible' tax increases, other than on those who are perceived to be very wealthy. Even small changes in the main taxes (for example the 'pasty tax' or Philip Hammond's modest proposal to iron out an anomaly in relation to the taxation of the self-employed) have been excoriated, leading to policy reversals. Recent election platforms have accordingly tended to pledge that there will not be increases in VAT, Income Tax or National Insurance (NI) (the biggest three sources of revenue – about 60% of UK government income when taken together) other than on a small number of high earners. The sixth biggest tax (Road Fuel Duty) also seems to be off limits as far as tax increases are considered.

7. Perhaps most acutely seen in Westminster; the devolved governments have been bolder in raising taxes.

This limits the options for tax increases – essentially politicians are restricted to raising a number of smaller ‘invisible’ taxes which are (erroneously) not perceived to have a cost to the electorate or raising taxes on higher income earners. None of these sources is inexhaustible.

To some extent, expenditure on redistribution could be financed through budget deficits (and indeed the UK has run a modest budget deficit almost continuously since 1970) but here too there are limits. It is difficult to define where these limits are or how they should be managed; witness the variety of different approaches to fiscal frameworks both between and within countries. The UK has had 16 different frameworks setting fiscal limits in the last 10 years⁸. The UK has arguably had a popular political narrative (of state finances being analogous to those of a small shop or a household) which encourages the government to set such limits too tightly. But the impact of the Covid pandemic on government debt has reduced the room for manoeuvre here and we cannot responsibly throw away restrictions on budget deficits altogether, a point to which we will return.

There are also constraints on redistribution which might better be described as cultural. Defunct economists and politicians (alive and dead) have had some role in propagating them, but they are much broader than one or other political platform.

RECEIVING INCOME BASED ON NEED GENERALLY CARRIES A STIGMA AND COSTS IN RELATION TO PERSONAL ESTEEM, SO IS RELATIVELY UNDESIRABLE. THIS IS INCREASINGLY PROBLEMATIC

The core issue is a set of widely held beliefs about a citizen’s entitlement to income. Citizens receive income because they do a job, because they have assets (rental property, shares) which generate income or because of need – either from state benefits or charity. Most low-income households have few assets and so their income is usually either from paid employment or based on need. Receiving income based on need generally carries a stigma and costs in relation to personal esteem, so is relatively undesirable. Not all state benefits are popularly viewed as based on need; the state pension for example is more likely to be seen as an earned entitlement based on past work⁹. But for many people, employment is the only ‘good’ (in the sense of carrying no penalty in esteem) potential source of income. Arguably this is increasingly problematic:

1. *Philosophically: is paid work all that we should value from an individual, or are there other things that they bring to society which should entitle them to an income?*

8. IFS (February 2020)

9. The legitimacy of pensions is probably also bolstered by the widely held (but only loosely accurate) perception that one pays for one’s pension through making national insurance contributions.

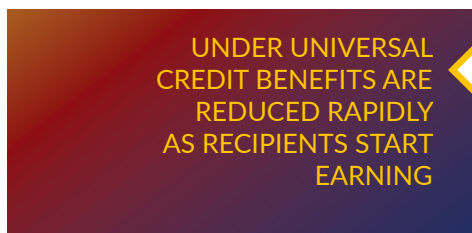
2. Social justice: given both long term weakness in labour markets and periodic macroeconomic shocks (for example the financial crash, particularly in Southern Europe the Covid pandemic), a narrative that those who are unemployed, through no fault of their own, have an inferior and reduced entitlement to income may seem particularly unjust and politically dangerous.

3. Technology: there may be both less need and less opportunity for everyone in society to work as a consequence of developments in technology and globalisation.

4. Sustainability: requiring perpetual economic growth for employment is potentially ecologically unsustainable.

These economic, political and cultural constraints have led to a system where any increase in redistribution is tightly focussed on those who are in need, and where those who are in need have to justify their claim on the state. Making the process of claiming state benefits a little bit unpleasant and difficult to navigate has been viewed by some politicians and voters as helpful because it reduces expenditure, and as acceptable because accepting benefits in any case carries stigma. 'If you aren't prepared to go through a few hoops you probably don't need the money.'

The key feature of this system is means-testing. In the last data we have from before the Covid disruption approximately 7 million households were receiving means-tested benefits in the UK¹⁰.



Means-testing is a financially efficient way of targeting resources on those who need them. But it comes with several disadvantages. It can be experienced as demeaning and stigmatising. Depending on how it is administered, the process of claiming can be extremely stressful. It can reduce incentives to work since benefits are withdrawn as earned income increases; under Universal Credit benefits are reduced by 63 pence for every pound earned over a certain threshold, and in some cases the interaction of benefits and tax allowances leads to higher withdrawal rates. The complexity of the process of claiming excludes some of those who may often be most in need of support. It is also more costly to administer than a system which does not require judgments about a recipient's means.

10. Excludes those who receive Child Benefit but no other means-tested benefits. Child benefit is means-tested, but only those at the top of the income range do not receive it. The UK benefits structure also includes benefits which are contingent on health and disability rather than means. These have some of the same disadvantages of means tested benefits in that their administration can be demeaning, stressful and complex (for both parties) although they do not have the same incentive effects

1.2 A CONVENTIONAL APPROACH TO REDISTRIBUTION

A conventional approach to somewhat increasing redistribution and reducing poverty in the UK might be done as follows:

- *Targeting transfers where they are most needed so as to minimise tax cost and maximise the chance of political acceptability;*
- *Accepting means-testing as a necessary evil;*
- *Completing the roll out of Universal Credit, which will eventually¹¹ lead to reduced complexity for claimants as (a) the system fully beds down and IT issues etc are resolved (b) issues due to transitioning households between systems have been tackled and (c) we have one system rather than two;*
- *Making other improvements in the delivery of Universal Credit from the perspective of the recipient;*
- *Paying careful attention to benefit withdrawal rates so as to avoid a 'poverty trap' and to maximise output, while accepting that some loss of economic efficiency is inevitable*

- *Funding redistribution through modest tax increases;*
- *Increasing Universal Credit entitlements – for example an increase of just over £1000 per adult receiving Universal Credit would have an annual cost of approximately £10bn¹²;*
- *Also considering increases in the minimum wage beyond those to which the Government is already committed.*

As we will see when we look at some of the alternatives this is relatively cheap in terms of cost to the state and has the significant benefit that it uses tried and tested approaches¹³. But it does not address the issues associated with means-testing and only offers a limited solution to the difficulties of building political support for the funding of redistribution (in that it makes it as cheap as seems to be possible). It largely ignores climate change; this is a separate problem for a separate part of government.

11. DWP does not expect the roll out to be completed before 2024-25. Some commentators expect it to take several years longer than this. See Office of Budget Responsibility (2020).

12. This cost is difficult to calculate with confidence as the impact of Covid on the number of claimants of Universal Credit in the medium term is highly uncertain and as Universal Credit is still being rolled out. The estimate £10bn is based on a full roll out of Universal Credit to all those on legacy benefits and the payment of a little over £1,000 (on an annualised basis) to all single claimants and a little over £2,000 to all couples. This is more generous than the temporary measure put in place in 2020 which only provided £1,000 per household (regardless of whether there were one or two adults) and only benefited those already on Universal Credit or receiving Working Tax Credits – which together comprise only 60% of those who will eventually be on Universal Credit. There are likely to be better ways of structuring an increased spend of £10bn on Universal Credit; the structure used above is used for simplicity and to facilitate comparison with the distributional effects of an increase in UBI as discussed later in the paper. See Office of Budget Responsibility (2020) and IFS Green Budget (2020).

13. For the risks associated with innovation see King and Crewe (2013) on the troubles associated with introducing Working Tax Credits, or consider the more recent travails linked to the introduction of Universal Credit.

A better way forward might:

- *Reduce dependence on means-testing;*
- *Have a narrative which makes the financing of payments politically sustainable;*
- *Promote a narrative of why people are entitled to money which means the redistribution does not result in a loss of esteem;*
- *Link to climate change.*

It would also still need to 'work' in the sense that it would reduce poverty and inequality and would be both administratively feasible and economically sustainable.

1.3 TWO UNCONVENTIONAL APPROACHES TO REDISTRIBUTION

Greater inequality has led to both the reinvigoration of some fairly old ideas about how a redistribution of income might be achieved and the development of new proposals.

We consider here two unconventional approaches – a job guarantee programme from the Modern Monetary Theory ('MMT') school of thought and a Universal Basic Income ('UBI').

Both claim to address poverty in ways that don't stigmatise low income households, and which benefit the economy as a whole.

They have very different solutions to the underlying weakness in demand for low skilled labour. A job guarantee programme proposes to remedy the problem by making sure everyone can have a job. A UBI gives up on this outcome and looks forward to a society where a job is less important as a source of income, purpose and esteem.

Recent advocates of the two approaches both set their proposals in the context of climate change. A job guarantee programme would employ unutilised labour to deliver environmental goods such as planting trees and insulating homes. A UBI questions whether relying on jobs as the primary method of income distribution fosters activities and consumption of little underlying value to the detriment of the environment. In creating a system of payments that are not conditional on work, UBI makes it easier for us to do less of what is unnecessary.

Chapter 2 considers the merits of a job guarantee programme. Chapter 3 reviews some proposals for a UBI.

2 A JOB GUARANTEE PROGRAMME

2.1 AN AMERICAN PROPOSAL

In this chapter, we review an idea from the Modern Monetary Theory thinkers which has gained some traction with the more radical wing of the US Democrats.

Randall Wray and colleagues set out one recent proposal¹⁴ and this is also described for a wider audience by Pavlina Tcherneva¹⁵. They argue that under their proposal:

- *Joblessness can be eliminated;*
- *Everyone can have a job paying at least \$15 an hour;*
- *Millions of Americans can be lifted out of poverty;*
- *This could be done without raising taxes or creating an inflation problem.*

These outcomes will be achieved through a Public Service Employment Programme that will offer a job at a minimum wage to all who are ready and willing to work. Everyone is eligible but no-one is compelled to join the programme. The same hourly wage is paid to everybody on the programme. People working on the programme will do a mix of care, environmental and community roles, mainly working within the public and third sectors.

ARE WE SURE JOBS ARE A GOOD THING AND HOW HAVE STATE JOB CREATION PROJECTS WORKED IN PRACTICE?

There will be a specific requirement that employment under the scheme does not displace existing workers. It is expected that the programme will employ approximately 15 million US workers.

The Wray/ Tcherneva proposal for the US also incorporates a substantial increase in the minimum wage. The proposed wage is double the current Federal Minimum Wage (\$7.25) – although this represents less of an increase in some states¹⁶. While the two policies work together (in that the job guarantee programme provides a backstop for employees if minimum wage increases lead to loss of jobs), they are separate and differentiable. The UK already has a much higher minimum wage than the US¹⁷, and it is government policy to increase this (subject to economic conditions) to 2/3 of median pay – which is only a little lower than the US proposal¹⁸.

14. Wray et al (2018)

15. Tcherneva (2020). See also Kelton (2020) for a recent statement of the wider Modern Monetary Theory within which the Job Guarantee programme sits.

16. The US has a federal minimum wage of \$7.25. Many states have no more than this. However in some (e.g. California), the state legislates a much higher minimum – in some cases close to the \$15 proposed by Wray and Tcherneva.

17. The US is an outlier in relation to the level of its minimum wage – see Manning (2020) Table 3

18. The US proposal is set at roughly 75% of the US median hourly wage.

In this report we will focus purely on the more unorthodox job guarantee part of the proposal¹⁹.

Before we turn to evaluating the Job Guarantee proposition for the UK, it is worth stepping back to consider three pieces of context:

- 1. Are we sure jobs are a good thing now and in the future?*
- 2. What do we believe about the responsibilities and capabilities of governments for creating jobs?*
- 3. How have state job creation projects worked in practice?*

The first two of these questions are enormous subjects which we are not trying to resolve here; our aim is to add clarity by delineating how they relate to the Job Guarantee proposal. On the third question we look more closely at some of the examples cited by advocates of the Job Guarantee Programme.

2.2 CONTEXT

2.2.1 Is a job a good thing?

Jobs are seen as self-evidently good for the individual and society. An individual does not just receive money; but also self-respect, meaning and social status. As noted in chapter 1 a job is widely viewed as one of only a few 'good' reasons for receiving income. For many, it is an important component of

psychological well-being. And, at the societal level, it produces the services and goods which underlie welfare.

In the view of many orthodox economists, jobs will always be available. Technology changes the nature of jobs. This means that individuals with specific skill-sets in obsolete jobs will struggle to maintain their earnings and maybe struggle to find any kind of job at all. But, while this is hard on the individual, it is a problem of transition, and new needs will arise maintaining the overall aggregate requirement for employment in the economy. We have seen this consistently across the course of previous technological evolutions.

Some of the more ambitious advocates of UBI are critical of many parts of this orthodox narrative about jobs. They are concerned that projected developments in automation are leading to a world where most value-added activity can be performed by a very small number of people and where the value add of everyone else is so small as to make their jobs barely worth doing (and their output only saleable for a pittance). They may also view the link between psychological welfare and the legitimacy of income from a job as a contingent social construct which is no longer fit for purpose in this context. They believe a good society can be generated without needing to maximise output from as many as possible of its citizens.

19. The platform that Biden/ Harris ran on in 2019 included the increase in minimum wage but did not include the job guarantee.

In contrast, advocates of the Job Guarantee programme have a more orthodox view of the job – a job is indeed a good (and a necessary) thing, and we can find ways to ensure that everyone who wants one has one²⁰.

2.2.2 Government capabilities and responsibilities in relation to employment – the 10 step ladder to believing in a Job Guarantee Programme

Wray, Tcherneva and colleagues believe that government has the responsibility and the capability to ensure that there are jobs at a decent wage for all who want them, that focus on this goal is the best way to manage the economy and maintain price stability and that the mechanic to do this is a Job Guarantee programme.

Many readers will consider that much of the thinking that underlies the Job Guarantee programme is completely unremarkable – but will break with the logic (and start to believe the proposal is controversial) at different points on the journey. To clarify thinking here, we have described this policy journey in terms of a 'ladder' – readers can judge how far up the ladder they are comfortable to go.

1st rung: Government has some responsibility for the level of employment, but the execution of this responsibility is limited to setting the conditions for a labour market to operate effectively.

People may disagree about how governments should exercise this responsibility – whether it should loosen or tighten employment protections, how much should be invested in job centres to improve transition between jobs – but almost everyone agrees that government at the least has this responsibility.

2nd rung: Government has a responsibility to provide infrastructure and training, which may not be provided sufficiently by the market.

3rd rung: Government should make specific interventions (such as the UK Future Jobs Fund) to get people into work so as to build skills and maintain their contact with the labour market.

4th rung: Government should treat the level of employment as an important consideration when making decisions about price stability through monetary policy.

5th rung: Government should use fiscal policy to manage aggregate demand and therefore employment.

6th rung: Fiscal policy should be used in a way which prioritises employment much more than has been the case in the UK and the US over the last 40 years.

20. Tcherneva (2020) p107 gives a clear statement of this view.

7th rung: Less attention should be paid to some of the tools which governments have conventionally abided by to limit their fiscal spend – such as balancing budgets and setting limits to how much debt they are able to take on.

8th rung: Large-scale use of jobs directly funded by government should be used with the specific purpose of creating employment.

9th rung: This should be made a permanent feature of the economy rather than an emergency measure.

10th rung: A government job should be offered to anyone who wants one.

11th rung: A government job scheme should be used as the primary tool to manage the economy.

Mostly the ‘rungs’ work in a sequential order in that those who are comfortable with the assertions higher up the ‘ladder’ will also support those lower down²¹. Some of those who are less comfortable with the higher rungs are mainly concerned about focus and ‘crowding out’ - for example, if a government tries to exercise the wider responsibilities envisaged by the Job Guarantee programme this will jeopardise its ability to make the job market function.

The Wray/Tcherneva proposition goes all the way up the ladder – but the steps become more distinctive once we get to ‘rung’ 7.

We have covered most of the Job Guarantee proposal in our introduction, but we should expand on the proposition on the final ‘rung’. Wray and colleagues argue that, under the prevailing orthodoxy, governments either fail to focus sufficiently on maintaining sufficient employment or struggle to do so because they rely on indicators (such as estimates of output and the productivity of the economy) which are difficult to observe and which do not always directly deliver the employment outcome which is desired. Better, they say, to focus on managing the availability of jobs directly, as these can be reliably counted and are more obviously experienced as a ‘good’.

2.2.3 Job creation in practice

State sponsored job creation is a well-trodden path. Many commentators who would not go very far “up the ladder” to a job guarantee programme would advocate it either in order to get people into other work (rung 3) or as part of overall demand management particularly in a downturn (rung 5).

Job creation as a component of demand management was widely used in Europe, particularly in the 1970s and 80s.

21. Rung 3 (specific interventions) might be higher up the ladder for some people. And one might be in favour of Rung 8 (large scale job programmes) without taking a view about sustainable government debt levels and fiscal deficits as radical as Wray and colleagues.

However, by the 1990s, the consensus view was that the net benefits of these policies had been modest. Job creation schemes, thereafter, became more focussed on interventions which would help the long term unemployed and the 'never employed' to enter the workforce²².

Proponents of job guarantee programmes cite several examples of job creation with more ambitious objectives (on the higher 'rungs' of our 'ladder'). However, apart from Roosevelt's New Deal itself and some examples in poorer countries (India, Argentina, South Africa), no-one has done what they are proposing at scale. There are many examples of micro level initiatives – often run by local charities – which have been successful in matching unmet social needs with employment for small numbers of people (often with specific needs or disabilities) who would likely otherwise be unemployed. There are some further initiatives – still quite small – which try to build these into a slightly more comprehensive programme in a small region – eg the Zero Long Term Employment initiative in France. But there is nothing recent at national scale in an economy comparable to the UK.

The largest recent initiative that Tchernova cites is the UK Future Jobs Fund. While this shares some features with her proposed programme, it really fits on 'rung 3' of the ladder rather than at the top²³.

22. See e.g. Martin (1998), Ali (2013)

23. It was sometimes described as a 'Job Guarantee', and influenced by a proposal entitled 'Job Guarantee' (Gregg and Layard 2009). But it was explicitly set up to employ people for a limited period – 6 months and focussed on those who had been out of work for an extensive period of time, with the intention of helping those people into long term unsubsidised jobs. This is much less ambitious than Wray et al's proposition

PROPOSERS OF JOB
GUARANTEE PROGRAMMES
CITE SEVERAL EXAMPLES OF
JOB CREATION WITH MORE
AMBITIOUS OBJECTIVES.
HOWEVER, APART FROM
ROOSEVELT'S NEW DEAL NO-
ONE HAS DONE WHAT THEY
ARE PROPOSING AT SCALE

It was introduced in October 2009 in the context of high levels of youth unemployment and fears of 'scarring' as a result of the financial crash. It was targeted at 18-24 year olds in receipt of Job Seekers Allowance, and aimed to build skills and work experience to assist them in finding a long term role. It created 105,000 jobs at a cost of £680m over the 18 months during which it was in operation. These had to be new jobs not displacing existing activity, earning at least the minimum wage, providing employment for at least 25 hours a week and lasting for a minimum of 6 months. The jobs had to benefit local communities, and job providers had to provide employees with support to move into long term employment. Roughly 2/3 of jobs were provided by local authorities though there was some involvement from the voluntary sector and there were a small number of private sector providers.

The scheme is interesting because it is now generally adjudged to have been successful, a Kick Start programme – recently introduced to try to address unemployment issues created by Covid-19 - is largely modelled on it. It was also the subject of detailed research (including comparison to a control group) by the Department of Work and Pensions shortly after its demise. It is worth understanding what success here looks like. Just over 50% of the participants on the scheme were in unsubsidised employment 2 years after they joined the scheme, compared to approximately 40% of those in the control group. Thus 10% of those involved had a better outcome than they would have seen if they had not participated in the scheme²⁴. This is a positive result no doubt – but is a reminder of the hard yards involved in this kind of programme. For all its high profile, an additional 10,000 people in employment by the end of the scheme is a small contribution to the overall rebound in employment the UK saw during this period.

A more recent example that has been cited is in Hungary²⁵. A government programme provides jobs to the unemployed paying roughly twice the level of unemployment benefits but only around half the minimum wage.

We have not seen extensive research on this – though critics point out that while the programme has been popular in rural areas, it has not always been possible to match workers to real needs. The system has functioned effectively as a form of political patronage²⁶ which may have had damaging consequences – a longstanding criticism of government job support.

None of this is to say that a job creation scheme of the scale envisaged by the Job Guarantee programme will not work. But it is to remind us that it is difficult and unproven; it is very far from being the case that government just needs to set up a scheme and people will come and enjoy the jobs.

FOR ALL ITS HIGH PROFILE THE CONTRIBUTION OF THE
UK FUTURE JOBS FUND WAS LIMITED

24. DWP (2012). See also Ali (2013) The DWP also estimates a positive net benefit to society of £7,750 a head, though it acknowledges that there are significant limitations to this analysis, in particular as it does not have any data on the benefits gained by firms from the work done, the costs incurred by firms in training and managing individuals or any displacement effects

25. E.g. Skidelsky (2020)

26. Dolan (2018)

2.3 EVALUATING THE JOB GUARANTEE CONCEPT FOR THE UK

In order to evaluate the Job Guarantee programme for the UK in the context of our wider theme of improving income distribution we look at 5 questions.

1. *How much might it cost? (2.3.1)*
2. *Is it likely to be well targeted to address poverty? (2.3.2)*
3. *How might it affect productivity, prices and employment through the rest of the economy? (2.3.3)*
4. *Is it likely to be politically (and therefore financially) sustainable? (2.3.4)*
5. *How might a job guarantee programme be experienced by its employees and how much social value is likely to be created? (2.3.5)*

2.3.1 Cost

The questions of cost and the extent to which a job guarantee programme would be well targeted on poverty are interrelated because the answers to both are dependent on the likely take up of the scheme. This section discusses some estimates of the cost and the following will consider how effectively it targets poverty.

Wray et al have provided cost estimates for their US job guarantee programme. They estimate that the gross cost to the exchequer of their scheme would be \$400-550bn, around 2% of US GDP.

This would be partly offset by a direct reduction in other net payments by the federal and state governments (lower welfare payments, taxes due on earnings from the job guarantee programme) which are estimated at roughly 15% of the gross cost²⁷. The authors also model a number of other net benefits (and costs) from wider impacts of the scheme. This latter part of the calculation is much more difficult to evaluate. It brings their estimate of the total annual net cost for their programme to between 0.8% and 1.6% of US GDP.

While we could try and read across from this to UK (0.8% of GDP = £17bn, 1.6% = £35bn), the changes required to make such a programme relevant to the UK as well as differences between existing UK and US tax, benefit and minimum wage structures mean this only provides a very broad indication.

Properly costing a potential scheme for the UK is beyond the scope of this report. Note that it is a more complex task than we are faced with in evaluating the cost of a UBI because the behavioural response and dynamic effects are likely to be even more difficult to calculate.

To give some idea of the considerations:

A job paying £9²⁸ an hour for a 32-hour week would pay approximately £15,000 a year. Savings in benefits may be bigger than under the US model for those moving off unemployment related benefits.

27. Derived by author from figures given in Wray et al (2018), though this figure is not directly quoted in their paper

28. As discussed earlier we are considering the job guarantee part of the Wray/ Tcherneva proposal separately from their linked proposition to pay the minimum wage, which has a different relevance in the US to the UK. At the time of writing the National Living Wage is £8.72 though scheduled to increase

Before the impact of Covid, average annual payments on Universal Credit were £8,500 and one would expect most of this to be withdrawn for anyone on benefits who participated in the scheme²⁹.

Take up of any job guarantee programme is more difficult to work out.

Prior to Covid the number of people actively seeking work was 1.3m³⁰; we might expect quite a lot of these people to take up the job guarantee.

Between 2 and 3 million people in the UK (mainly in the private sector) have work which is paid at or a little above the minimum wage. Some of these might be interested in an alternative state guaranteed job if it offered better conditions or was just more convenient. Approximately half of this group are in part-time occupations and so take up would depend in part on whether there was a minimum hours requirement associated with the scheme.

There are also 9 million economically inactive people. Responses to the Labour Force Survey suggests that 1.9 million of these would like work if suitable work was available.

Those who might find the scheme attractive would include:

- *Those who want work but have given up looking;*
- *Those groups whose participation in the labour force is most variable with the availability and conditions of work – ie – people in their 50s and 60s, and recent mothers considering returning to work;*
- *Those already doing, on a voluntary basis, the kind of charitable work which would likely be undertaken by those on the scheme³¹.*

The actual number will be influenced by the design of the scheme. Does it allow part time work? How successful is the Government in providing a full geographic spread of jobs? Is there any 'stigma' associated with taking up the roles?

1 million participants, drawn very largely from those seeking work, might cost around £10bn after taking account of benefits savings but before considering any wider economic impacts, for good and for ill. 2.5m, including a larger number of those who are economically inactive and some of those currently earning around the minimum wage, might cost £30bn.

29. This is not a straightforward calculation because some receiving higher levels of UC are likely to be those who are disabled and unable to work so would therefore not be helped by JGP. In addition, the range of UC payment levels is considerable. At the current 63% withdrawal rate and additional income of £15k, £9k of UC would be withdrawn. 30% of UC recipients are receiving more than this

30. Numbers in this and the following sections are derived from the Annual Survey of Hours and Earnings, the ONS Labour Market Overview, the JRF Report on UK Poverty (19/20), the Resolution Foundation Low Pay Britain Report (2020) and the author's own analysis. Where possible, they relate to the period immediately before the Covid epidemic.

31. Charity Commission for England and Wales (2019) estimates voluntary work for charities is equivalent to 1.25m full time jobs

To these costs, we would need to add the administration costs of the scheme and the costs of managing and training a relatively rapidly churning body of employees. We would subtract the benefits to the state of the work they did. Both of these costs are also unknown. A range of £10bn to £30bn is in the same ballpark as Wray et al's estimate for the US.

Table 2A Indicative costs of a UK Job Guarantee Programme

| | LOW | HIGH |
|---|--------------|--------------|
| Pay - Annual Equivalent | £15,000 | £15,000 |
| Average number of employees on scheme (m) | 1.0 | 2.5 |
| Gross Cost (£m) | 15.0 | 37.5 |
| Benefit Savings (£m) | <u>(5.0)</u> | <u>(7.5)</u> |
| Net Cost before taking account of benefits of work or administration and training costs | <u>10.0</u> | <u>30.0</u> |

2.3.2 How effectively is the Job Guarantee targeted to help the poor?

The question here is what a large-scale permanent Job Guarantee Programme, such as proposed by Wray et al, does for redistribution rather than whether specific initiatives, such as the Future Jobs Fund or Kick Start, effectively help the poor.

Prima facie, one might expect the creation of jobs for the unemployed to be well targeted for this purpose. This is Wray and colleagues' view about their US proposal³². Is this likely to be the case in the UK?

32. Wray et al(2018) section 2

To answer this question, we need to consider who, among poorer households, are unlikely to benefit from the scheme and who, among richer, less needy, households would receive a benefit. Again, at this stage, it is difficult to do any more than set out some of the main considerations.

The proposed payment (£15k per annum) is much higher than that in the UBI proposals that we will review but delivered to a smaller group- perhaps between 1 million and 2.5m people. How much does this do to help the 14m people, 6m households, in poverty³³?

It is easy to see that for some people the cash and long-term opportunities of a minimum wage job could make a big difference. It is easy, also, to see the limitations. Those who would not be helped by this approach would include:

- *56% of households in poverty have a wage-earner in the household. The proposal may help a second earner in the household or may help if the household's earner is part time, but, in many cases, it will not obviously make a difference.*
- *Half of households in poverty include someone disabled, and over 2 million of those on Universal Credit are receiving a disability related benefit. For a proportion of these the disability may be what is preventing them having work – and so a job guarantee would be unlikely to help.*

- *1 million of those in poverty are carers, and their caring responsibilities may mean they are unable to work.*
- *Surveys indicate that there are other important constraints preventing some of those in poverty working, including lack of childcare and transport.*

A JOB GUARANTEE PROGRAMME PROBABLY WILL NOT DO MUCH TO HELP POVERTY AT THE BOTTOM OF THE INCOME DISTRIBUTION

The policy probably will not do much to help poverty at the bottom of the income distribution. The Joseph Rowntree Foundation estimates that 0.4m people are destitute at any one time, with 2.3m being destitute in the course of a year³⁴. Health, including mental health (>50% of those who are destitute suffer health issues and 30% have severely limiting health issues), drugs, alcohol and offending (18% of those suffering from destitution) and migration related issues (8%) mean many in this category will be unlikely to benefit unless a scheme is highly tailored.

Turning to those who might benefit from the £15,000 a year but not be in lower income households, we should consider some of the groups among the 9 million

33. In this section and some of what follows we have employed the widely used definition of those in poverty being households with less than 60% of median income. This is consistent with the Joseph Rowntree Foundation work which provides much of our data on poverty. However, it is acknowledged that this approach has some weaknesses and tends to overstate poverty among pensioners and understates that among working age – see Joseph Rowntree Foundation (2020a) appendix. A recent review by the Resolution Foundation - Corlett (2021) notes that there are data issues in the Department of Work and Pensions survey which underly this and much other research, and that numbers in poverty may be around 20% lower on this measure than normally thought.

34. Joseph Rowntree Foundation (2020b). Figures quoted relate to 2019.

economically inactive that we listed above as being potentially attracted. The demographic of charity volunteers who may end up getting paid under this programme skews slightly richer than average³⁵. Some people in their 50s and 60s or returning mothers may well be from better off households.

Many of those looking for work are poor. Work is one of the key ways out of poverty, and a Job Guarantee programme would provide such people with other benefits in terms of the development of skills and a continued history of working as well as pay. But this does not necessarily mean that expenditure on the scheme would be well targeted on the poor. Further work would be needed to answer this question definitively.

2.3.3 Impact on productivity, prices and employment across the rest of the economy

Wray and colleagues advance an attractive narrative of a 'reserve army of the employed' who are available to step into gaps in the private sector labour force when demand in the economy increases. They contrast this to the concept of a 'reserve army of the unemployed' which some more orthodox economists see as limiting the impact of pay increases and improving labour market flexibility. The new reserve army would benefit from its time employed under the job guarantee programme by being better trained and avoiding the 'scarring' resulting from long periods without work.

Other impacts are more likely to have a negative impact on economic output when considered from a classical economic perspective. The members of the new "reserve" will, by design, have more options and, therefore, place less downward pressure on wages which may affect the viability of some private sector activities. Perhaps the guaranteed jobs would, in practice, substitute for activity which would have happened anyway, thus creating no new employment and transferring an employment cost from the private sector to the public purse. And, to consider another long-standing criticism of government job creation, how much damage might be done from the potential link of the jobs to political patronage?

There is some evidence to answer these questions and resolve the trade-offs, but it is not conclusive, and we suspect that, in the context of a largely untried scheme, there is enough for both proponents and critics of a job guarantee programme to feel that their arguments are viable. Until there is a substantial practical implementation, it may be hard to take this part of the argument further.

2.3.4 Political and financial sustainability

Will people vote to pay taxes to finance a £10bn-£30bn annual expenditure on a job guarantee programme?

We noted in our introduction that the difficulty of raising the major visible taxes in the UK can function as a brake on redistribution schemes.

35. UK Civil Society Almanac (2020)

Can we either operate a job guarantee programme without additional taxes or provide a sufficiently strong justification for required tax increases?

2.3.4.1 Can we uncouple the financing of the job guarantee from taxation?

Tackling the problem head on, we might try and argue that a job guarantee programme (or for that matter some other redistribution schemes) does not require tax increases.

At one level here, there is a rather simple story which has attracted some commentators and politicians³⁶. We can afford a furlough scheme as a response to Covid (and previously we were able to afford to bail out the banks); this shows that we can afford what we want to afford. This position is easy to propound, and the point about prioritisation has a strong germ of truth, but the extrapolation from behaviour in a crisis to what might be appropriate as a permanent feature of fiscal management is fallacious and probably not credible. Sadly, the impact of Covid is the opposite of this; we did afford the furlough scheme (and other measures), and therefore our room for manoeuvre in the future is significantly constrained.

A more thoughtful argument is as follows:

1. *Government expenditure which increases economic production or improves the rate of economic growth can be funded by debt because it will generate additional tax revenues which enable the debt to be serviced and a greater amount of debt to be supported for the long term.*
2. *The bar for making this work is lower when interest rates are lower; if one believes that interest rates are low for the very long term, then only modest improvements in output are necessary from a given investment.*
3. *The Job Guarantee Fund is argued to be akin to government investment because in several respects it increases productivity from the economy. By keeping people in work it maintains or increases their productive capacity compared to what it would be if they spent a long time unemployed. Government-funded jobs create output of long-term social value which supports the future performance of the economy. And there is a multiplier effect as government expenditure on the fund stimulates activity across other areas of the economy.*
4. *These effects will contribute towards covering the interest on any debt taken on to pay for the initial cost of the programme and, in the longer run, to covering the ongoing costs of the programme itself.*

36. To be clear, this simplistic story is not what Tcherneva and Wray advocate.

This argument falls within a conventional Keynesian paradigm. However, Wray and Tcherneva fear that, whatever its merits, it will struggle to gain traction with commentators, politicians and economists, given the prevailing ideology. They may be right. Wray and Tcherneva see Modern Monetary Theory as an alternative paradigm which needs to be adopted in order to get the Job Guarantee proposal accepted³⁷. This theory is controversial where it diverges from Keynes, and some have pointed out the difficulties of convincing ‘the plain man’ of “the [Modern Monetary Theory] notion that government prints its own taxes” given current widely held beliefs about the nature of money and budget deficits³⁸.

In any case, it is not clear that a job guarantee would eventually be largely self-funding. The argument depends on what happens to interest rates and on the extent to which the Job Guarantee programme does create a stronger economy. We don’t know what will happen to interest rates³⁹. Whether the Job Guarantee programme has a net positive effect on economic growth and how significant a contribution this makes to covering its long-term overall cost is contested. It would be bold to assume that implementing it would not require some long-term tax increase.

2.3.4.2 Can we persuade people it is a ‘good’ use of taxpayer revenue?

If (as we suspect) it proves difficult to finance the Job Guarantee Programme without increasing taxes (and to explain convincingly that this is happening), we would need to justify that it is a ‘good’ use of taxation revenue.

The proposition that there is plenty that needs doing and that the Government should pay those who would otherwise be unemployed to do it is a good starting point, and there is no doubt that many people would be more comfortable paying taxes which they perceive to be paying people to work than paying taxes to support people who are not working.

However, either of the following perceptions would weaken this support:

- a) *A perception that those on the programme are being paid to do things which don't really need doing (or are being paid to turn up to work and not working);*
- b) *A perception that those on the scheme are being paid the same for ‘easy’ or ‘low value’ jobs as people who perceive they are working hard in a ‘normal’ job.*

In other words, the political sustainability of a job guarantee scheme is dependent on the perception (and reality) of the quality of the jobs and their output.

37. Tcherneva (2020) chapter 5

38. Skidelsky (2020).

39. See Orszag et al(2021) for a reminder of how bad we are at forecasting this kind of economic variable and Goodhart and Pradhan (2020) for an argument as to why interest rates might be destined for a structural increase. MMT thinkers are less concerned about such global structural trends in interest rates because they see sovereign governments as being in a strong position to control interest rates in their own economies.

THE POLITICAL
SUSTAINABILITY OF A JOB
GUARANTEE SCHEME
IS DEPENDENT ON THE
PERCEPTION (AND REALITY)
OF THE QUALITY OF THE
JOBS AND THEIR OUTPUT

If the quality is poor, then we might foresee the development of a narrative that these jobs are a form of benefits and a relatively expensive one.

2.3.5 Job 'quality'; how the programme is experienced, and what social value is created

One starting point for this report was the stigma felt by those who received benefits. This arises partly from the mechanics of the current benefits system, but it is also due to a deep-rooted view of what kinds of income can be accepted without a penalty in status for the recipient.

A job guarantee programme offers a very simple solution to that problem. Nothing needs to be done to change how benefits are viewed (or, necessarily, how they are delivered). We simply ensure everyone has access to jobs that they and others in society value.

Whether this works in practice depends on:

- *How the programme is experienced by participants*
- *How it is viewed by those who perceive they are paying for it.*

It matters a lot whether one's benefits are reduced if one has the option of a guaranteed job but chooses not to take it up. Advocates of Job Guarantee Programmes have taken different views on this⁴⁰, but the Wray/Tcherneva proposal is on the basis that there is no reduction in benefits in these circumstances. This would require a change to the current UK welfare system under which the availability of work does reduce eligibility for benefits. We could amend the rules such that jobs under the programme are a special case and are not taken into account when benefit entitlements are assessed. But does this not devalue or stigmatise the guaranteed jobs? And is it politically sustainable?

This problem has led some progressive critics of the job guarantee idea to describe it (pejoratively) as 'workfare' and to doubt whether many of those at whom it was targeted would universally welcome it. This question would need to be resolved.

40. See Mitchell (2013), Hutchison (2018) for examples of arguments that the availability of a guaranteed job should reduce or remove entitlement to benefits

The second big question is the nature of the work performed on the scheme.

Wray/ Tcherneva place (or accept) a number of constraints on the nature of jobs within the programme:

- *They must be jobs which would otherwise not get done. This is to avoid displacing jobs which are being done by the self-employed or which the private sector are paying for (possibly at higher wages than the job guarantee minimum) with jobs funded by the public purse;*
- *The jobs should be specified first for the good of the employee and only then for the good of the employer. The proponents see this as a significant change in balance from much current private sector practice;*
- *They must be jobs which anyone could do at a reasonable level with minimal training – so as to enable the role of providing a guarantee to anyone⁴¹.*

As they acknowledge, their programme would not therefore provide jobs on large infrastructure projects because these could be done by the private sector or relatively skilled jobs because of the need to deal with churn. A large-scale project to refit the country's homes with carbon neutral heat pumps or to retrofit insulation to homes for example would fail both of these criteria.

In the UK context, the jobs that they suggest that the programme would cover include:

Work in care homes;

- *Other local authority low skilled work such as street cleaning and park maintenance, where budget constraints mean authorities are currently delivering less than residents want;*
- *Manual environmental work in rural areas;*
- *A number of activities which are largely performed (if at all) by the charitable sector at present.*

Let us consider care homes where funding has fallen over the last 10 years in real terms despite increased demand. Prima facie, an increase in staff is likely to mean better care; current budgets do not provide for this, and hence a job guarantee programme which provides the funding to increase staffing when economy-wide demand for labour is low seems likely to kill two birds with one stone.

But can we really solve a problem in care homes and meet the objectives of the Job Guarantee Programme through the same policy? Care homes already struggle to fill the low skilled jobs which they do have budgets for. Before the Covid crisis, there was a shortage of 122,000 care workers – 7.8% of jobs (vs 2.8% nationally). Job turnover was 30%⁴². Although jobs at least met and often exceeded minimum pay thresholds, a combination of poor pay progression, anti-social hours and low status made it difficult to attract and retain staff in the sector.

41. Wray concludes that this is a reality of this kind of scheme and considers and rejects the idea of a scheme including higher skilled jobs differentiated by higher wages.

42. Gershlick and Charlesworth (2019)

Understaffing and high turnover both made care worse than it otherwise would have been.

More funding to create more jobs that are likely to be filled with unqualified high turnover staff does not in itself resolve the care home problem. The real requirements – and what commentators and campaigners have argued for – are better job conditions, more training and longer-term commitment⁴³. Extra funding to provide more staff would be good, but:

- *There would also be a need to fund management and training for these staff;*
- *The minimum wage may well not be enough to attract people;*
- *A scheme which gives anyone, regardless of qualification, a right to a role probably makes the job of running care homes more difficult.*

A well-funded programme to improve the staffing in care homes is likely to be beneficial, and it would also have some benefits for the labour market. However, we are unlikely to get a good outcome in care homes by doing this through a job guarantee programme.

Similar issues arise in the other areas we have discussed. Rural jobs are available but people do not necessarily want them because many of the associated conditions are unattractive – consider the much publicised difficulties in finding UK residents to pick fruit crops

43. Ibid

44. As a result of a combination of Brexit and Covid travel restrictions, there was a severe and widely publicised shortage of labour to pick fruit crops. In spite of the government's 'Pick for Britain' campaign, the number of unemployed UK residents who joined the workforce was limited – with only 1% of 30,000 applicants making it past the initial six weeks and almost 90% of pickers continued to come from outside the UK

in summer 2020 despite very high levels of unemployment⁴⁴. Making available funding for similar rural jobs planting trees is not obviously going to solve either the employment problem or the environmental problem.

If, as the above commentary suggests, the work completed under the job guarantee scheme does not deliver much in the way of benefits to employers or society, the proposal is undermined at every level. The status of the roles is likely to be low and will bring stigma. The basis of political support for the roles is compromised. The argument that government expenditure on the roles will in the end be repaid because of the benefits generated for the economy becomes weaker.

2.4 CONCLUSION

Wray and colleagues' highlight the benefits for society and for the unemployed (and under-employed) of a number of potential government interventions. For example, there are good arguments both for funding more jobs in care homes and for job creation programmes such as the Future Jobs Fund. While not as well targeted on the poor as one might initially suppose, greater availability of jobs would help many people. And it is probable that recent governments have focussed less on an objective of full employment than they should have done.

But tying these things together in one programme for guaranteed jobs for all seems unlikely to generate a good result – either in terms of making lives better for the poor or in terms of utilising more fully the resources of our economy to deliver social, environmental or economic benefits.

The proposal also relies on demanding assumptions about its impact on output and on the likelihood of the programme being able to gain and maintain political support.

In their programme for the US, the authors combine the job guarantee with a substantial increase in the minimum wage.

Minimum wage increases may have a beneficial impact in the US where minimum wage requirements are low. The UK already has a more progressive minimum wage policy than the US, though perhaps this should be further developed, but a job guarantee programme would not add much to this.

So, ultimately and in conclusion, the job guarantee may most usefully be seen as more of a thought experiment highlighting some matches in the economy between unmet needs and available labour rather than a proposal to be taken too literally.

THE JOB GUARANTEE MAY MOST
USEFULLY BE SEEN AS MORE
OF A THOUGHT EXPERIMENT
HIGHLIGHTING SOME MATCHES IN
THE ECONOMY BETWEEN UNMET
NEEDS AND AVAILABLE LABOUR

3. UNIVERSAL BASIC INCOME

Universal Basic Income (UBI) – an income unconditionally paid to all on an individual basis without means-testing or work requirement⁴⁵ – has a long pedigree as an idea. It has attracted those of very different political and philosophical persuasions ranging from those who see it as a means to shrink government (no services, only payments to citizens) to those who see it as the practical outcome of transforming our view of the nature and philosophical value of work itself.

But in the current progressive debate it has three related core components:

- *The idea that citizens should be entitled to income from the state not because they are unable or unwilling to work but as of right;*
- *The related intention to eliminate (or at least reduce significantly) means-testing;*
- *An intention to reduce poverty through greater redistribution and to make life better for a large number of people who are struggling financially.*

Some impetus has been added to the argument for UBI in the UK by the troubled roll out of Universal Credit (which followed on the heels of the troubled roll out of Working Tax Credits). A combination of initial design weaknesses, implementation issues, difficulties that were always going to arise as benefits are transitioned between frameworks and welfare cuts

embedded in the implementation has led to long waits (20% of first-time applicants waited 5 months to receive payment and some wait even longer), significant cash-flow issues for those on low incomes and a marked increase in hardship as measured by the level of resort to foodbanks⁴⁶. Many of these issues should be resolved as the system beds down, but some argue that problems of this type are intrinsic to any ‘real world’ means-testing systems rather than being temporary (but rather long running) issues with UK welfare.

In any case, in theory UBI seems well conceived to address the challenges of a country in which demography and technology have reduced the demand for certain kinds of labour and a world where – in some views – too much activity is contributing to climate change.

This chapter first discusses a financially feasible model for UBI derived from the recent literature and focusses on the cost, because this has always been the fundamental problem with UBI schemes (section 3.1). In section 3.2, we ask how successful this feasible model is in delivering the benefits claimed for UBI – better distribution, reduced means-testing and a compelling narrative of entitlement to income that is not based on work. Section 3.3 considers the political deliverability of this financially feasible model, and section 3.4 considers some questions of implementation.

45. Van Parijs (2004)

46. See eg Thompson et al (2019)

3.1 DESIGNING A UBI WHICH IS FINANCIALLY SUSTAINABLE

Those new to UBI often start from an assumption that a reasonable scheme would offer everyone an income something close to the average level of benefits so as to allow everyone a 'basic' standard of living⁴⁷. Extending payments which are currently targeted through means-testing to cover the whole country is clearly going to be very expensive. Funding a scheme which paid an income of £8000- £10000 a head per annum would require Income Tax rates of 40-50% on all income (more for the wealthy)⁴⁸, and this is likely to be politically unacceptable and to involve marginal rates of tax which have a significant negative impact on the economy.

IT IS NOT POSSIBLE IN THE UK TO CONSTRUCT A UBI SCHEME WHICH IS AFFORDABLE AND REDUCES POVERTY AND ELIMINATES MEANS-TESTING. ONE OF THESE THREE HAS TO GO

Moreover, some of those on benefits currently receive more even than this because of specific needs, so, even at these levels, some poorer households would be made worse off unless the UBI was supplemented by some level of means-tested benefits. Martinelli⁴⁹ provides a clear summary of the financial impacts of a wide range of ways of constructing UBI schemes and a clear conclusion. It is not possible in the UK to construct a UBI scheme which is affordable and reduces poverty and eliminates means-testing. One of these three has to go.

In the UK, the academic focus has, therefore, moved on from this. A number of studies have modelled schemes which support Basic Incomes at a lower level of £50-60 a week (approximately £2,500-£3,000 a year)⁵⁰, aiming to show that at this level it is possible to construct something of value that is reasonably affordable.

While details vary, the funding model at the heart of these schemes on a 'static basis' (ie before considering wider macro-economic effects) is described below⁵¹.

47. This concept is not well defined. Expectations of people with whom we have discussed the concept are in the range of £10,000- £15,000 for an individual, £15,000- £20,000 for a couple. As a different benchmark, £5,800 was the average annualised Universal Credit receipt for a single person with no children as of March 2020.

48. See for example Hirsch (2015), Martinelli (2017), Torry (2019). The most expensive scheme evaluated by Martinelli – and rejected as 'not remotely affordable even in the long term' is £6,000 for an individual. Torry (2019) reports his earlier evaluation of a scheme to pay a weekly basic income of £160 (£8000 annually) which required a 48% basic rate of tax (+12% NI) and a higher rate of 68% (+12% NI)

49. Martinelli (2017)

50. E.g. Lansley & Reed (2016), Lansley & Reed (2019) Torry (2015), Torry (2020), Torry (2021), Stirling & Arnold (2019)

51. The studies cited here share a starting point that the UBI should be funded out of taxation. This is a reasonable approach to what would be a recurring long term commitment. For a radical alternative view see Crocker (2020)

Table 3A Simplified £60 UBI net costing model⁵²

| | TAXPAYERS | NON-TAXPAYERS | TOTAL |
|--|-----------|---------------|---------------|
| Working Age Adults | 26m | 16m | 42m |
| Cost of UBI of £60 per week or £3,120 a year | £81bn | £50bn | £131bn |
| Offset by reduction in personal allowance and NI threshold | (£81bn) | (£7bn-£9bn) | (£88bn-£90bn) |
| Offset by reduced means-tested benefits | - | (£13bn-£16bn) | (£13bn-£16bn) |
| Net cost to be funded by tax increases | Zero | £25bn-£30bn | £25bn-£30bn |

Table 3A sets out the economics for a simplified version of the schemes proposed by Torry and by Lansley & Reed. The main simplification is that only working age adults qualify for the UBI. We will describe this as the “£60 Working Age UBI”.

There are approximately 42⁵³ million adults of working age living in the UK. Providing a UBI of £60 a week (or £3,120 a year) to each of these would cost £131bn.

Just under 26⁵⁴ million of these pay income tax and national insurance. All these individuals benefit both from an income tax personal allowance (set for 2021 at £12,570 per year) and a minimum threshold (£184 a week – the ‘Primary Threshold’) below which national insurance is not paid.

A SIMPLE SCHEME PROVIDING A UBI OF £60 PER WEEK REQUIRES £25-30BN OF TAX INCREASES

52. The cost of a UBI is difficult to pin down. While it is relatively straightforward to state the total cost of UBI payments made by the state for a given scheme, many of its recipients will experience little net change in income as they pay more taxes to offset the UBI. In order to make meaningful comparisons with other forms of redistribution or other government spending programmes, we are estimating a net cost as the sum of the additional tax (or national insurance) payments of all those who lose out financially under the scheme which has the same net cost (once tax increases are taken into account) as the status quo. This paper uses a high level financial model and so makes quite a high level estimate of this cost rather than calculating it at the household level. If anything, we think we slightly overestimate the UBI net cost on this definition.

53. Adults between 16 and the state pension age. The total for any scheme will depend on definitions of eligibility and could be lower than this if strict residence criteria were applied.

54. ONS income tax statistics and distributions

Taken together, these save each of these individuals over £3,600 a year⁵⁵ in tax and National Insurance. Significantly reducing the income tax personal allowance and the National Insurance primary threshold increases the tax paid by these taxpayers, and the new levels for these thresholds can be set to exactly offset the benefit of the UBI for these people. Some proposals⁵⁶ for UBI go further and eliminate the personal allowance altogether – though we think it desirable to retain some level of tax-free income for individuals in order to avoid worsening the poverty trap problem UBI is supposed to resolve and to avoid the administrative complexity of collecting very small amounts of income (for example from a paper round). In any case, the UBI provides no financial benefit for this group of people and creates no cost for the exchequer.

Providing this level of UBI for 16 million non-taxpayers costs £50bn. Some of these individuals have earnings which are currently fully covered by the personal allowance and below the national insurance threshold. Reducing these would mean they now pay some tax. We estimate this generates an additional £7bn-£9bn of tax revenue reducing both the benefit of the UBI to the recipients and the cost to the treasury.

Many of these non-taxpayers will be receiving Universal Credit or other benefits, which are reduced as earnings increase. These schemes treat most or all of the UBI as earnings for means-testing purposes⁵⁷ so while benefits are not eliminated, they are reduced; a simple case is shown in table 3B. We estimate that this reduces welfare spend by £13bn-£16bn.

3B Impact of UBI for individual claiming Universal Credit⁵⁸

| | ANNUALISED FIGURES |
|---|--------------------|
| Single person Universal Credit | £3,876 |
| UBI | £3,120 |
| Less; reduction in Universal Credit of 63p in the £ | <u>(£1,966)</u> |
| Net impact of UBI | <u>£1,154</u> |
| Total UBI + Universal Credit | <u>£5,030</u> |

55. There are some complexities here, but the description in the text captures the broad economics. The value of the personal allowance for higher rate taxpayers can be looked at in two different ways, and this potential for confusion means care needs to be taken when reviewing scheme costings in the literature. Technically, if the personal allowance was removed, the threshold for paying higher rate tax would reduce from £50000 (2020) to £37,500. This would mean higher rate taxpayers (and some basic rate taxpayers who have income close to this threshold) would pay an additional 40% tax (£5,000). However, a more intuitive approach is to assume that the £50,000 higher rate threshold stays where it is, and that higher rate taxpayers also have a £2,500 benefit from the personal allowance. The personal allowance is gradually withdrawn on incomes over £100,000 such that on incomes over £150,000 there is no benefit from the personal allowance under the current system. National insurance is charged on a weekly basis, and so the benefit of the personal allowance would be different if an individual's earnings were very uneven during a year.

56. Lansley & Reed (2016), Lansley & Reed (2019), Stirling & Arnold (2019)

57. If this was not the case, there would be no reduction in people subject to means testing under these schemes.

58. This is the simplest calculation on the basis that none of the income from the UBI is disregarded for means testing, which is the working assumption of most (but not all) of those developing proposals of this type.

**THE EXTRA £15BN-£20BN
COST OF THE UBI REPRESENTS
THE COST OF PROVIDING
ADDITIONAL INCOME TO
THOSE NOT CURRENTLY ON
UNIVERSAL CREDIT**

We do not make any adjustments for reduced administrative costs of UBI since on this model administrative requirements are not simplified⁵⁹.

Taking into account the impact of personal allowances and reduced benefits, we estimate that the net cost of the £60 Working Age UBI on a static basis is £25bn-£30bn a year (table 3A).

3.1.1 Comparison to cost of increasing Universal Credit

How does this compare to a more targeted change in welfare which does not look to achieve the wider 'systemic' benefits (in terms of reduced means-testing, less stigma, a new narrative of the relation between work and income) of UBI?

As set out in table 3B, the £60 Working Age UBI delivers just over £1,150 to a single Universal Credit claimant with no taxable income. It delivers double this to a couple on Universal Credit. Delivering the same financial benefit through increases to the rates of individual and couples would cost approximately £10bn⁶⁰.

The extra £15bn-£20bn cost of the UBI represents the cost of providing additional income to those not currently on Universal Credit.

Some of this money will go to those who fall between the cracks of Universal Credit and while entitled to claim do not. This includes those who are unaware of benefits to which they are entitled, who are facing very short term loss of income or who are finding the application process difficult; arguably, this money is well targeted (and a further argument in favour of UBI is that it is more likely than existing benefit systems to reach such people). Some of it will go to students. But most of it will go to those living in households further up the income scale but not themselves in full time work.

3.1.2 Tax increases required to fund the UBI redistribution

Whether we increase Universal Credit or implement a UBI on the above model, this will require tax increases.

The first port of call for most of the schemes we have reviewed is an increase of 10% (from 2% to 12%) in national insurance contributions on incomes over £50,000. This could be expected to raise £10bn- £12bn (and, incidentally, could, therefore, fully fund an increase in Universal Credit as described in 3.1.1 above).

59. Torry (2019) reaches the same conclusion.

60. Based on full roll out of Universal Credit and a normal level of unemployment as forecast by DWP. See also note 12.

The remaining funding is through increases in income tax across all earners; a 1% increase raises approximately £7bn⁶¹. Thus, the £60 Working Age UBI could be financed through a 2% increase on the income tax for basic rate taxpayers and an effective 12% (national insurance and income tax) increase on the tax paid on earnings over £50,000.

3.1.3 Pensioners and Children

The simplified model above is restricted to working age adults. We see no absolute requirement to extend it either to those above the state pension age or to children.

There is an important political dimension relating to both children and those over the state pension age. A relatively high proportion of pensioners vote. The electorate, as a whole, is more sympathetic to plans to remediate poverty among children than working age poverty. It is, therefore, no surprise that our existing welfare system has become somewhat skewed in favour of these two groups. Should a UBI scheme go 'with the grain' of this political bias to the old and the very young?

Those above the state pension age are already entitled to a pension payment which has most of the characteristics of a basic income. This pension is well regarded in the sense that very few people question the right of pensioners to their pension; there is no issue of legitimacy to be tackled. Its value is protected by the 'triple lock' and pensioners have, as a consequence, done relatively well compared to other groups over recent years. It is at a level much higher than any financially feasible UBI, and so it is inevitably always going to be paid at a different rate. Changing it into a basic income, or adding a basic income to it, financed by other taxpayers, seems to create cost, complexity and losers to no good end⁶². Leaving those above the state pension age out of a UBI would mean a divergence between some income tax rules – in particular, we would need to retain the personal allowances for pensioners while we were reducing them for everyone else⁶³ – but we believe this could be implemented fairly simply.

This is not to say that there is nothing wrong with the current pension set up, or that there are not pensioners facing hardship and poverty.

61. We have used the estimates for the effects of a 1% increase in taxes in 2022/23 shown in HMRC (2021) which break down £5.5m from a basic rate tax increase, £1.3bn from an increase in higher rates and £0.2bn in an increase in the additional rate. HMRC has lower estimates for the impact on 2021/2 – reflecting the depressed state of earnings post Covid and the time it takes for some increases to work through the system. HMRC includes the estimate of behavioural impacts (eg tax evasion) of a tax increase on the higher and additional rates; these estimates appear very prudent in the case of the additional rate.

62. The main counter argument is that the current system is in itself complex, and that, in particular, pension credits, which, in theory, bring the income of all single people over the state pension age up to £175 a week, are often not claimed. We are concerned that, in the real world, a UBI 'simplification' would create more problems than it solved.

63. Pensions are subject to income tax. If one drastically reduced personal allowances for pensioners, this would bring most of their state pension into tax at a significant cost to these individuals. As, under this simple proposal, pensioners would not benefit from a Basic income, there would be no mitigation for this.

We just don't think UBI is the obvious tool to address this issue and believe that including those over the state pension age makes a UBI politically harder to introduce and increases the risks and complexity of implementation. Put another way, it is too hard, too expensive and the wrong thing to do to 'buy off' pensioners to support a UBI. It is better – but still hard – to try to leave that political constituency neutral on the issue by isolating them from the financial impact altogether.

Conceptually, it is also not obvious that children should receive a UBI. The parents of children already receive a payment for Child Benefit which is almost universal⁶⁴. Some UBI proposals increase this or replace it by a Child UBI rate (in some cases a significant rate) because rates of poverty are higher in homes with children and this, therefore, further improves redistribution. We believe the position here is less clear cut than the case with pensioners (whose inclusion we think is likely to add to both the political and practical difficulties of introducing a scheme). With careful design, the inclusion of an uplift in Child Benefit as part of a scheme is likely to reduce the number of losers even after the additional tax cost is taken into account. This would require further research.

3.1.4 More sophisticated models

The papers cited near the beginning of this chapter offer more sophisticated versions of the basic model we have described in the preceding paragraphs and also provide more sophisticated analysis of distributional impacts.

Torry's most recent proposal⁶⁵ is very similar to the £60 Working Age UBI, but also incorporates a £10 weekly increase in Child Benefit and a proposal in relation to pensioners, which we estimate is roughly neutral in terms of its overall effect on the economics of the scheme but redistributes income from better off pensioners to poorer pensioners. The additional cost of the increase in Child Benefit (compared to the £60 Working Age UBI) is funded by having a lower UBI for those under 24 and by higher tax increases (3% and 4% respectively) on higher and additional rate taxpayers.

Lansley and Reed's latest paper⁶⁶ also has a Basic Income set at £60, but is more generous in several other respects. The first £25 of Basic income is disregarded for means-testing purposes. Children are given a substantial basic income of £40 a week as a replacement for Child Benefit. And there is a proposed Citizens Pension, which replaces existing arrangements and would provide a net benefit for pensioners as a group (though will still leave some worse off).

64. Child Benefit is withdrawn for those earning over £50,000.

65. Torry (2021)

66. Model 1 from Lansley & Reed (2019).

Funding these enhancements threatens to create more losers than Lansley and Reed believe is consistent with a deliverable UBI, and the proposal therefore assumes that £28bn will be found from sources other than labour taxation⁶⁷.

3.1.5 Macro-economic and dynamic effects

Cost estimates in the various academic models (and our simplified scheme above) do not take into account dynamic effects. How would people change their behaviours following the introduction of a UBI and how would this affect the economy and the costings relating to the schemes?

The proposed funding of the £60 Working Age UBI (and the potential increases in Universal Credit to which we have compared it) are fiscally neutral, and from this perspective the UBI is neither a stimulus nor inflationary. The macroeconomic effects that are likely to arise are:

- (1) *The impact of changed marginal tax rates on the supply of labour;*
- (2) *The impact of £60 a week of non-contingent income on the supply of labour;*
- (3) *The impact of redistribution on demand;*
- (4) *Whether a potential increase in demand and reduction in labour supply is likely to create inflation.*

67. There are several other differences in the funding of the scheme compared to our simple model. The entire personal allowance is eliminated, though a 15% starter rate is used in its stead. As discussed elsewhere, this does not seem optimal from a 'poverty trap' perspective. Income tax rates are increased by 3% rather than 2%. The threshold at which individuals start to pay higher rate tax is reduced from £50,000 to £37,500. Child Benefit is replaced by a Children's Basic income rather than being increased, which changes the way it interacts with means-tested benefits for most people. The same paper includes a second model which also incorporates a Citizens' Wealth Fund – to which we turn in Chapter 5 of this paper.

A UBI WHICH REPLACED MEANS-TESTED BENEFITS BY A NON-CONTINGENT INCOME FOR ALL WOULD ELIMINATE HIGH MARGINAL TAX AND WITHDRAWAL RATES AT THE BOTTOM OF THE INCOME DISTRIBUTION. BUT THE £60 WORKING AGE UBI DOES NOT DO THAT

We will consider these in order.

(1) A UBI which replaced means-tested benefits by a non-contingent income for all would eliminate high marginal tax and withdrawal rates at the bottom of the income distribution. But the £60 Working Age UBI does not do that. Means-tested benefits are retained, and while there would be a modest reduction (see below) in the number of households receiving benefits, the net effect on work incentives for poorer households is likely to be limited. Some of those previously on benefits will experience a 32% tax and national insurance marginal rate rather than a 63% benefit withdrawal rate but this group comprises only 2% of individuals. Smaller numbers will do a little better or a little worse than this, depending on their mix of potentially taxable earnings and benefits.

Marginal rates at the top of the income distribution get markedly worse; taking Employers and Employees National Insurance into consideration, those paying higher rate taxes see the amount they receive from every £ their employer pays decline from 50.7 pence to 40.2 pence – a 21% decline⁶⁸. Marginal rates would be higher across some parts of the income distribution for higher earners⁶⁹. This would be expected to have some impact on activity (and lead to rearrangements of tax affairs so as to reduce payments.) However, our ‘benchmark’ plan to increase Universal Credit would also increase taxes on higher earners, and the difference between the two schemes may not be significant.

(2) The evidence from trials of how additional non-contingent income will affect recipients is mixed. Lansley and Reed cite studies from 1970s negative income schemes which suggest a 5% decline in labour supply from primary earners and a slightly higher decline in secondary earners⁷⁰. A more recent study in Finland found that a group of unemployed people receiving an unconditional payment of €560 a month (just under twice as much as is being proposed here) did more paid work

than a control group receiving means-tested benefits⁷¹. Some other trials have also suggested increases rather than decreases in labour participation as a result of UBI type interventions, but it is very difficult to effectively replicate many aspects of a UBI in a developed country trial and to read across from these results to a full scheme is difficult.

(3) Turning to the impact on the level of economic activity of redistribution, the direction of the impact is clear. Poorer households will spend more of their distributable income, and a reasonably substantial redistribution of the scale proposed should create more demand in the economy. Though once again, this effect is directionally the same (and probably not that much different in scale) to the probable effects of taxing richer households more to afford an increase in Universal Credit.

(4) If one believes that labour supply is currently a constraint on the economy, and that the UBI itself leads to reduced participation in the labour force, this increased demand might be expected to lead to inflation rather than increased output. Though since one of the starting points of our paper was a sustained reduction in demand for labour, perhaps this should not be a concern.

68. For income over £50,000 an employer currently pays 13.8% of gross salary as employers' national insurance and 0.5% through the apprentice levy, and an employee pays 40% income tax and 2% national insurance leaving the employee with 50.7 pence of every £ the employer pays. Under the proposed UBI scheme, income tax increases to 42% and national insurance to 12%, leaving the employee with 40.2 pence in the pound.

69. Someone with two children pays an additional 18% tax on income between £50,000 and £60,000 as Child Benefit is withdrawn. The withdrawal of the personal allowance creates an additional 10% effective tax on income between £100,000 and £125,000 – though this would be reduced under a UBI scheme given the significant proposed reduction in the value of the personal allowance. Tax is charged at 45% on income over £150,000.

70. Lansley and Reed 2016

71. <https://www.newscientist.com/article/2242937-universal-basic-income-seems-to-improve-employment-and-well-being>.

In the round, we do not expect macro-economic effects of the £60 Working Age UBI or similar schemes to be significantly different from those of a simple redistribution effected by increasing welfare payments.

3.2 WHAT DOES A £60/ WEEK UBI DELIVER?

Table 3C Cost analysis of Universal Basic Income

| | Targeted UC increase | Simple UBI |
|--|----------------------|-------------|
| Improvements for those on Universal Credit | £10bn | £10bn |
| Cost of delivering systemic change and some other benefits | - | £15bn-£20bn |
| Tax rises required | £10bn | £25bn-£30bn |

In section 3.1.1 we estimated a ‘static’ net cost for a £60 Working Age UBI of £25-30bn. If we wanted to deliver the same benefit in financial terms to those towards the bottom of the income distribution through an increase in means-tested Universal Credit, this would cost approximately £10bn.

In section 3.1.5 we concluded that macroeconomic effects would not change the difference between these two costings. The additional £15bn-£20bn could be viewed as the cost of providing the additional benefits from a UBI scheme. Proponents would argue that these benefits include:

- *Redistribution benefits that are wider than the targeted benefit for Universal Credit – eg including those who currently ‘fall through the cracks’ of the welfare system;*
- *Reduced levels of means-testing and the removal of some of the ills associated with the current benefits regime;*
- *An improved narrative of entitlement for those who are not in paid employment;*
- *Environmental benefits.*

How do these claims stack up for a £60 UBI (based on the simple model or the other proposals we have considered from the literature), and do these benefits justify the additional costs?

3.2.1 Financial winners and losers

Table 3D summarises the main categories of winners and losers from introducing a simple £60 per week UBI funded on a cost neutral basis as discussed above. Given the wide range of individual circumstances, the relatively complex benefits scheme that is already in place to meet these needs and the interactions between several different sets of arrangements

(income taxes, national insurance, various benefits schemes, the proposed UBI) it is inevitable that there will be quite significant divergence of financial impact even within similar income bands – particularly towards the bottom of the income distribution - so this is only a summary.

In a straightforward redistribution by way of an increase in Universal Credit only the top (asterisked) groups in the table would win and lose; the other categories are the additional winners and losers from the UBI.

Table 3D Winners and losers from simple £60 UBI schemes fully funded from labour taxes

| WINNERS | LOSERS |
|---|--|
| £60 WORKING AGE UBI | |
| Most lower income households and most of those currently receiving benefits* | Top 10% of households by income* |
| Lower income households missed by the benefit support network | |
| Students | |
| Middle income households with at least one adult who is earning little or nothing | Middle income households where all adults are earning above £12,500 a year (mostly modest losses) |
| | Single person households on certain means tested benefits who also have some taxable income ^{71A} |
| SCHEMES ALSO INCLUDING PENSIONERS | |
| Poorer pensioners | Richer pensioners, depending on the nature of the scheme |

* Indicates groups which would win and lose under an increase to Universal Credit financed by an increase in higher tax rates or national insurance rates above the higher NI threshold.

71A. Losses occur in the case of some households with enough earnings to lose out from the personal allowance reduction and the resulting tax increase, but for whom the tapering of welfare benefits reduces the positive impact of the UBI. This is mostly an issue with certain older benefits which are based on gross rather than net income and should become less of an issue as Universal Credit is rolled out.

Torry (2021) and Lansley & Reed (2019) use the Family Resources Survey to provide much more detailed analysis of the impact of their schemes on distribution.

Torry estimates very significant benefits (50% increase in disposable income after housing costs) for households in the bottom income decile, smaller increases in deciles 2- 7, small losses in deciles 8 and 9 and a 6% loss in income for decile 10. His 2021 paper does not report the overall number of losers – though, based on previous similar schemes, it is probably around 25-30% of households. 7% of all households and 2% of poor households would experience losses greater than 5% of disposable income before housing costs.

Analysis of income effects at the household level is beyond the scope of this report, but the £60 Working Age UBI is very similar to the scheme presented in Torry (2021), and we would expect similar effects. Excluding pensioners should reduce the number of losers compared to the Torry scheme. Excluding pensioners and children will reduce the gains for the poorest decile.

The Lansley & Reed proposal produces a similar pattern of winners and losers to Torry (2021), though, given its greater ambition, the benefits to those at the bottom are larger.

Because they do not fund the proposition fully (with £28bn *deus ex machina*) the comparison to the Torry scheme is not really like for like. But even without taking account of the tax incidence of the £28bn extra funding⁷², 25% of households lose and 7% (mostly drawn from the top decile) lose more than 5%.

The impact of Torry's scheme on the Gini Coefficient measure of distribution is surprisingly small – a 0.7 improvement. The more generous Lansley and Reed scheme performs much better (4 point improvement) on this measure.

Increasing Universal Credit by an amount that matches the impact of the Torry and £60 Working Age UBI's will help many of the key beneficiaries to the same extent and will create losers only at the top of the income distribution. It will not reach those who should be entitled to UBI but are not claiming, or those who are relatively poor but earn too much or have too many assets to receive Universal Credit. While we do not have detailed analysis of winners and losers as a result of the 'benchmark' Universal Credit increase, note that Torry (2021) estimates that the improvement in the Gini Coefficient of a £1,000 increase per claimant in Universal Credit is the same as the improvement delivered by the UBI in the same paper⁷³.

72. However the £28bn is funded it will impact some households somehow, and this is not taken into account in Lansley & Reed's analysis.

73. In his 2021 paper, Torry highlights that the reduction in the numbers of households in poverty delivered by his proposed UBI is significantly more than the reduction delivered from a £1000 increase in Universal Credit. We believe that this is to some extent a statistical artefact. As the definition of poverty he uses is a poverty line at a certain level of income, improvements in the income of those who are at the bottom of the income distribution may have no impact on the measure since – though much better off – they are still below the poverty line. This is likely to be the case for many of those benefitting from increases in Universal Credit whereas a UBI tends to also help those who are slightly better-off, and, therefore, gets more people 'over the line'.

THE TOTAL AMOUNT PAID OUT UNDER MEANS-TESTED BENEFITS IS SUBSTANTIALLY REDUCED BECAUSE OF THE APPLICATION OF MEANS-TESTING TO THE UBI. BUT THE REDUCTION IN THE NUMBER OF THOSE SUBJECT TO MEANS-TESTS IS QUITE MODEST

3.2.2 Reductions in Means-testing

This approach to UBI retains the existing benefit structure. The total amount paid out under means-tested benefits is substantially reduced because of the application of means-testing to the UBI. But the reduction in the number of those subject to means-tests is quite modest. Under the Torry scheme, the percentage of all households claiming means test benefits falls from 31% to 29% and the proportion claiming benefits of more than £200 a month falls from 24% to 20%. The £60 Working Age UBI would deliver slightly lower reductions. For Lansley and Reed, the proportion of those in the bottom two income deciles claiming means-tested benefit falls from 80% to 72%.

72. However the £28bn is funded it will impact some households somehow, and this is not taken into account in Lansley & Reed's analysis.

73. In his 2021 paper, Torry highlights that the reduction in the numbers of households in poverty delivered by his proposed UBI is significantly more than the reduction delivered from a £1000 increase in Universal Credit. We believe that this is to some extent a statistical artefact. As the definition of poverty he uses is a poverty line at a certain level of income, improvements in the income of those who are at the bottom of the income distribution may have no impact on the measure since – though much better off – they are still below the poverty line. This is likely to be the case for many of those benefitting from increases in Universal Credit whereas a UBI tends to also help those who are slightly better-off, and, therefore, gets more people 'over the line'.

74. Recent surveys have indicated that the unpredictability of Universal Credit payments (driven by changes in household circumstances which are reflected in adjustments over succeeding months) is a major problem for some. Some respondents were unaware of the additional £20 a week they have been receiving since April 2020 because it was not apparent amid the 'noise' of month on month fluctuations.

On the face of it, this seems a relatively small step forward.

This kind of UBI could nonetheless mitigate some existing issues with Universal Credit.

For example, while waiting for initial Universal Credit claims to be processed, the availability of this unconditional income may be enormously important and very reassuring for some households. Similarly, many are likely to see a significant benefit in having a component of income which is simple, fixed and easy to understand and does not vary as unpredictably as Universal Credit⁷⁴.

However, this is a much lesser claim than delivering a system which eliminates means-testing.

3.2.3 View of entitlement

Changing the narrative of entitlement is an important component of the UBI project. Without doubt, doing this successfully will take time given that many people feel strongly that those who have the opportunity to work but are not willing to should not be entitled to an income from the state.

CHANGING THE NARRATIVE OF ENTITLEMENT IS AN IMPORTANT COMPONENT OF THE UBI PROJECT

A UBI at (for example) £10,000 has a clear message. “Everyone is entitled to enough to live on”. A £3,000 payment is a weaker message. It becomes “everyone is entitled to a contribution from the state” or, perhaps, an undeliverable promise of an initial payment which will increase to “enough to live on” over time.

In later chapters we explore some alternative ways of framing views of entitlement in support of a UBI which:

- (1) *Have a clearer – and we think more widely acceptable – rationale as to why everyone should receive a certain level of money from the state;*
- (2) *Provides greater congruence between the amount involved and the narrative associated with it.*

3.2.4 Climate change

We identified emissions reduction as an important filter for any significant government policy given the context of the climate emergency.

Some proponents of UBI⁷⁵ make a general claim that a UBI has beneficial effects because it may reduce unnecessary activity which generates emissions.

While this seems right in principle, our review of likely macro-economic effects suggests the kind of scheme under review will not have a big impact on activity, environmentally damaging or otherwise.

We will consider in subsequent chapters whether we can link ideas delivering similar distributional benefits to a UBI more closely to the climate change objective.

3.3 POLITICALLY DELIVERABLE?

Introducing a UBI scheme is the first hurdle. For most people this will be a significant change to the overall system which makes little net difference to them personally. However, because of the modest (2-3%) income tax increase all these schemes require, around a fifth of those on middle incomes will find that they will lose a small amount⁷⁶. We know that small losers are likely to be much more exercised about a change than those who gain slightly (and that many may be suspicious of change and will therefore overestimate costs and underestimate benefits). This is a concern and would be likely to make it harder to implement than an increase in Universal Credit funded by higher rate taxpayers.

75. Eg Crocker (2020) chapter 4

76. As well as those on higher incomes – though this is going to be a feature of any serious redistribution proposal.

ROUGHLY HALF OF RESPONDENTS EXPRESSING A VIEW WERE POSITIVE ABOUT THE GENERAL CONCEPT OF A UBI. HOWEVER, SUPPORT REDUCED SIGNIFICANTLY ONCE IT WAS UNDERSTOOD THAT EITHER TAXES WOULD HAVE TO INCREASE OR BENEFITS BE REDUCED IN ORDER TO FUND THE UBI

Whether it is sustainable politically once it has been introduced is a different question. There have been some polls which focussed in detail on UBI though not enough to draw firm conclusions, especially as details of the idea and its implications are unknown to most voters. IPSOS Mori carried out a poll for the University of Bath in 2017⁷⁷. The RSA commissioned a poll from Populus in 2018⁷⁸. Roughly half of respondents expressing a view were positive about the general concept of a UBI. However, support reduced significantly once it was understood that either taxes would have to increase or benefits be reduced in order to fund the UBI. In the Populus poll two thirds of respondents expressing an opinion were concerned that the UBI would be a disincentive to work. Three quarters said they would prefer support to be targeted on the poorest.

A more recent (April 2020) but less detailed YouGov poll asking whether respondents would favour a permanent UBI in the context of the economic damage caused by Covid found 51% of people to be supportive⁷⁹. (The same poll found 72% of people were supportive of a Job Guarantee, though neither concept was defined in detail.)

The question of political sustainability would also be dependent on how successful a narrative of entitlement was associated with the proposed UBI; as noted above, we think the appeal of a £3,000 UBI might be underwhelming compared to the expectations of those supporting UBI's in some opinion polls.

3.4 IMPLEMENTATION OF UBI

While we are some way from recommending any kind of UBI, we should note two practical issues related to implementing it (and indeed the other ideas discussed later in this paper).

Historic problems with the introduction of working tax credits and Universal Credit are in themselves a strong argument for keeping a UBI simple and steering away from changes to existing arrangements such as pensions and child benefit (though one may decide to make the latter more generous).

If we do this, as Torry (2020) and others have pointed out, the main implementation challenge is that the UK does not have the data on its citizens

77. <https://www.ipsos.com/ipsos-mori/en-uk/half-uk-adults-would-support-universal-basic-income-principle>

78. <https://www.thersa.org/globalassets/pdfs/reports/rsa-populus-basic-income-polling.pdf>

79. https://docs.cdn.yougov.com/5y7qjzd6v/NEON_CoronavirusClimate_200417_W.pdf

necessary to make a regular payment to everyone. While not insurmountable this needs to be addressed.

Secondly, there are considerations about who is entitled to be considered as a citizen and, therefore, will receive the UBI. This is largely a question of how immigrants and emigrants should be treated for the purposes of the scheme. It is not so difficult to come up with proposals here, but the ground is politically fraught and emotive. From the perspective of avoiding hardship, it is also important when making this choice to identify any groups which have low earnings, would pay more tax because of the loss of the personal allowance but would not be entitled to a UBI.

3.5 CONCLUSION: DEVELOPING UBI

The idea of Universal Basic Income is attractive. In a context of reduced demand for less skilled labour, it seems helpful to develop alternative forms of income which carry no stigma and are intended as a permanent component of an individual's income. Depending on the future trajectory of technology, demography and global trade, this may become more important in the future.

Recent work has shown that at a modest level this is more affordable than might have been imagined and has enabled us to take this idea much more seriously than has previously been the case.

The level at which a UBI starts to become financially possible, however, leaves us with schemes which only take a small number of people off means-testing – which reduces one of the key 'systemic' advantages claimed by UBI's proponents. These UBI proposals, instead, make the lesser claim that they provide everyone with a minimum level of 'secure' income, which, in a household crisis at any rate, may be a meaningful improvement.

At this lower level we also think the UBI lacks a clear narrative.

We have estimated that a simple scheme would require net tax increases of £25bn-£30bn which is £15bn-£20bn more than the cost of delivering an equivalent level of targeted redistribution through the current welfare system. The question remains whether this additional cost of systemic change is (a) worth it and (b) politically deliverable.

THE LEVEL AT WHICH A UBI STARTS TO BECOME FINANCIALLY POSSIBLE, LEAVES US WITH SCHEMES WHICH ONLY TAKE A SMALL NUMBER OF PEOPLE OFF MEANS-TESTING – THUS REDUCING THE KEY 'SYSTEMIC' ADVANTAGES CLAIMED BY UBI'S PROPONENTS

We don't rule out entirely the possibility that the answer to these questions might be 'yes'. If we were to pursue a UBI like this we would recommend that it is kept simple. We would not apply it to those over the state pension age. We would make no changes to the benefit system. If we did increase non-contingent income for children, we would do this as an increase in Child Benefit rather than replacing Child Benefit with a new 'Children's UBI'. We would ensure that the income tax system retained a small tax-free personal allowance to avoid worsening poverty trap effects and creating a lot of administration.

But, given the issues of political deliverability, we should explore more robust narratives and we might alternatively consider introducing a UBI (and establishing a model for future development) on the basis of a more modest proposal. Funding part of the cost through taxes not linked to work could be an advantage. Linking it more directly to emissions reduction and the climate emergency would be beneficial.

The following chapters explore some alternatives. We consider four different ways to deliver elements of a basic income with a range of rationales and funding sources.

4. DIRECT HELICOPTER MONEY

By Direct Helicopter Money we mean a proposal that the Bank of England should, on occasion, create new money in every individual's bank account. This has been talked about in various economic traditions – Keynes, Friedman, Modern Monetary Theory – though mostly as a rhetorical device in support of a different route to expand the supply of money and credit or to run an expansionist fiscal policy. Here we consider taking this idea more literally. We do this, not in the context of a radical critique of how central banks and government financing operate, but rather looking for a beneficial side effect from a small twist on monetary policies that are already widely used.

4.1 QUANTITATIVE EASING AND ITS PROBLEMS

Many Western governments, including the UK, retreated from fiscal policy in the 1980s and increased their reliance on monetary policy exercised by independent central banks. The central banks primarily carried out this policy through setting interest rates. However, this became more difficult as nominal interest rates fell to and remained at very low levels. Inflation also tended to be below the targets that central banks had been set, fuelling concerns of deflationary stagnation. Given that there are limits on reducing interest rates below zero, central banks needed a new tool.

The new tool was Quantitative Easing (“QE”). The Bank of England acquires government bonds. This keeps interest rates low and leads institutional investors who would normally be acquiring government bonds to invest in other financial assets, thus increasing the price of those assets, and ultimately boosting the economy. As a result of this policy, the Bank of England owned £875m (approximately 35%) of UK government debt by the end of 2020.

In 2013, Adair Turner presented a paper with the intriguing title ‘Debt, Money and Mephistopheles; How Do We Get Out of This Mess?’⁸⁰ which was critical of QE. In the paper, he identified limitations on its use as a tool to increase nominal demand and potential adverse effects, including a likely legacy of too much leverage across the economy. He suggested – for reasons entirely linked to how central banks carry out their remits – that a better way of achieving this objective might be through something much closer to literally ‘printing money’ or, at least, directly creating new digital money in households’ bank accounts

**A BETTER WAY TO INCREASE
NOMINAL DEMAND THAN QE
BY CENTRAL BANKS MIGHT
BE THROUGH DIRECTLY
CREATING NEW DIGITAL
MONEY IN HOUSEHOLDS’
BANK ACCOUNTS**

80. Turner (2013)

(also known as dropping people ‘helicopter money’, though in our digital world the helicopter is no longer actually required). In this, Turner was closely following an earlier proposal by Ben Bernanke (2002) made in the context of the long stagnant Japanese economy.

Though it was not core to Turner’s critique, it is also probable that QE increases inequality. Arguably, compared to doing nothing, it leads to more economic activity and employment, which benefits everybody. But its main direct effect is to increase the prices of homes and financial assets, benefitting those with wealth (and those who operate in financial markets). Research on QE programmes globally suggests that the main beneficiaries have been in the top 10% of the income distribution, and that increases in the price of financial assets have not translated effectively to the real economy⁸¹.

Putting an equal amount of money into every citizen’s bank account would be a more progressive approach.

4.2 THE DIRECT HELICOPTER MONEY PROPOSAL

It might work like this.

The Bank of England’s remit would remain that of keeping inflation low and stable at or close to 2%.

It would have an additional obligation over which neither it or the Government had any discretion.

In the event (and only in the event) that the most recent historic 12 month CPI figure was below 2% then it would make a £150⁸² deposit (the amount being fixed by statute) into a nominated bank account for every citizen in November (for Christmas) and in May (for a summer holiday).

This is attractive because it has no additional cost to the Government and could be structured to create no debt obligation⁸³. It takes an element of economic management which would need to happen in any case and does it in a different way. It really is ‘free’ money; we are just sharing it across the whole of society rather than directing it to those who own certain classes of assets.

It is supported by a very clear and credible narrative of entitlement. An individual is not receiving this money because they are poor or in need. They get it because this is how money works in a modern economy. (While one could try to target the payment on a certain income group, there is no logical reason for doing that in this case and, given the sums involved, we should probably not weaken the entitlement narrative.)

For all that it is ‘free money’, the economic approach behind it is orthodox. It requires taking no views on multipliers, or how inflation and interest rates work. It is a tap which gets turned on if inflation is low and off again if inflation increases.

81. Erturk (2016) 82. Each ‘drop’ on this basis would be £10bn, about 0.5% of GDP. More work is required to evaluate whether this would be roughly the right amount of monetary stimulus.

83. There is a technical issue here concerning how this kind of transaction should be reflected in the Bank of England’s balance sheet. See Kumhof et al (2020) for a discussion. Their suggestion is that a permanent increase in the supply of money of this kind should be treated as a sui generis hybrid instrument that is close to equity and as such would not be included in national debt calculations at any level.

FOR ALL THAT IT IS 'FREE MONEY', THE ECONOMIC APPROACH BEHIND IT IS ORTHODOX. IT IS A TAP WHICH GETS TURNED ON IF INFLATION IS LOW AND OFF AGAIN IF INFLATION INCREASES

It is central to the argument that, while the rules determining when it is paid are permanent, the payment in itself is not a regular commitment. One of the challenges that has historically undermined fiscal policy has been that measures to boost the economy tend to become permanent commitments, and it becomes very difficult to stop making them when conditions change.

We would not want to build an entire poverty strategy on this basis; it can only be a modest component. As it is driven by monetary policy, then it comes when the economy needs it – when inflation is low – rather than when an individual needs it. But if we are going to do QE anyway, then we should do it in a way which gives all households a benefit.

4.3 WHY NOT?

So why is no-one already doing this?

One specific objection is that this tool only works in one direction. If inflation rises above the Bank of England's target it cannot claw £150 back from each of us whereas 'traditional' QE is reversible – in theory at least. Looking at the foreseeable future, this does not seem to be a real problem.

The amount of 'traditional' quantitative easing which is in place and could be reversed is very substantial and this would seem to provide a sizable buffer before the question of reversing additional helicopter drops would even arise.

The real issue goes back to concerns about maintaining the long-term stability of money. This is where Mephistopheles comes in. In Goethe's *Faust*, Mephistopheles encourages the downfall of the German economy by tempting the Emperor to do more or less what is envisaged here – to print more money and dish it out to his subjects (though again, without the helicopter). As we know from subsequent history, this problem was not just in Goethe's imagination.

In a strict sense, sovereign governments can issue as much money as they like. But, untrammelled, this sovereignty would lead to disaster. So, the UK – in common with most Western countries employs a set of formal and informal institutional safeguards which restrict this sovereignty.

IN A STRICT SENSE, SOVEREIGN GOVERNMENTS CAN ISSUE AS MUCH MONEY AS THEY LIKE. BUT, UNTRAMMELLED, THIS SOVEREIGNTY WOULD LEAD TO DISASTER

First, there are procedures governing the creation of money - sometimes legislated, sometimes custom and practice. Central banks have charters and a balance sheet to manage. Governments have fiscal rules and must keep an accounting of debt.

Second, governments are usually very cautious about changes to their approach to money creation because of the awful downside if they get it wrong.

Third, there are strong institutional safeguards protecting the independence of the central bank.

And fourth, we have historically avoided the direct creation of money in the hands of citizens because this seems vulnerable to political pressure. If we let people know that governments could do this, “they” (eg Nigel Farage, Andy Burnham, Marcus Rashford) will come back and ask for more.

Traditional QE was ‘unconventional’; it required changing some accepted rules about what central banks should do. But its implementation used existing channels by which the Bank of England acted in financial markets. It was left firmly in the hands of the Bank of England.

And, while commented on in the broadsheets and the financial community (and no doubt subject to lobbying by the financial industry), it was not broadly understood outside a narrow circle. Indeed, even some of the broadsheet commentary was not always clear on how it worked⁸⁴.

Direct helicopter money raises more concerns because, while under the control of the central bank, it is more novel, would require new procedures and is more transparent.

4.4 DIRECT HELICOPTER MONEY CONCLUSION

There is another cluster of narratives about central banks which is relevant here. On the one hand, critics – populist and progressive – see them as undemocratic institutions which restrict the will of the people and need reining in. On the other, some supporters of the institutions argue that in moving away from fiscal policy, governments have placed an expectation on central banks’ ability to improve the economy which does not match their remits and cannot be met⁸⁵. One step to resolving these difficulties is for governments to take back some of their responsibilities for the economy through reconsidering how they operate fiscal policy.

84. Amusingly, the Bank of England’s internal independent watchdog concluded that the Bank itself did not understand how QE worked – Financial Times 14 Jan 2021.

85. Eg El-Erian (2016)

86. Hence the proposal to use a historic rate of CPI rather than a forecast to trigger the helicopter drop.

But another may be for the Bank of England to operate in a way which is more directly beneficial to citizens and to undertake the hard work of communicating clearly how this works. Certainly, if it worked, this would be a more liberal and democratic way of proceeding.

The suggestion here is that it would be possible to construct rules that were automatic in the sense that they gave neither banks nor politicians discretion⁸⁶, and that they sat within an institutional framework which prevented interference.

The Bank of England would have sufficient other discretionary tools to fulfil its mandate effectively, but this one intervention would be entirely rules based.

The suggestion is also that government could succeed in the difficult task of communicating clearly the rationale behind the helicopter drop. This might be easier than we think.

The main reason people understand very little about monetary policy may not be because it is intrinsically difficult, but because its impact on their lives is extremely indirect and they have very little interface with it. This policy would change that.

The more detailed mechanics of how this would be implemented are beyond the scope of this essay and would obviously need further work.

The moment for doing this is now while inflation is low. We know neither how long this will last nor whether a rule like this would permanently and rapidly push inflation expectations up to the level at which we want them, thus avoiding further requirements and making it a one-off distribution.

But it stands the chance of providing a more effective way for the Bank of England to undertake its responsibilities to meet its inflation target, while converting a redistribution that currently benefits the asset rich into an equal payment whose benefits will be most felt by the income poor.

We believe this proposal should be given serious consideration.

5. CITIZENS' WEALTH FUNDS

Another approach to redistribution is to grant all citizens an entitlement to the income generated from a pool of assets which is owned by everyone and administered by the Government or an independent body. This has been advocated both independently of arguments about UBI⁸⁷ and as a way of enhancing it.

Advocates of such a Citizens' Wealth Fund note that a number of countries⁸⁸ have significant sovereign wealth funds. They note that there is one case, that of the Alaska Permanent Fund, which pays part of its annual income as a dividend to all long-term residents (typically about £1,000 a year each). They suggest that, if we were to follow these countries' examples, we too could have such a fund at some future date and that the income from this fund could then be distributed to all citizens.

Recent advocates and analyses of this kind of proposal have included the following;

- *Lansley and Reed (2019) suggest that their UBI proposal is enhanced by establishing a sovereign wealth fund which in 20 years' time might be sufficient to fund a £1,000 increase in the proposed £3,000 UBI⁸⁹.*

They suggest the wealth fund might be created through a wealth tax raising approximately £25bn a year, some additional government debt and the transfer to the fund of assets already owned by the state.

- *Roberts and Lawrence (2018) advocate a fund with a more modest payout being a one-off dividend of £10,000 to each 25 year old by 2030. They propose that the fund is set up from a different (and less ambitious) mix of asset transfers and wealth and other taxes – including the Government taking stakes of up to 3% in all large businesses.*
- *Painter, Thorold and Cooke (2018) model a fund which provides £5,000 for just two years to non-taxpayers⁹⁰ under the age of 55. They suggest the fund will be capitalised from issuing government debt.*
- *Penrose (2020) suggests a new state fund is set up which will in future be used to fund benefits and pensions – though he is not specific as to the basis on which disbursements are made. The fund is to be endowed from transferring existing government assets and through future taxes in the form of royalties on mineral and other assets.*

It is easy to see why this might be attractive.

87. E.g. Penrose (2020).

88. These are principally countries with significant oil wealth, though others include Australia, China and Singapore.

89. This builds on earlier work by Lansley, McCann and Schifferes (2018)

90. The dividend is available to all but since as a condition of accepting it personal allowances are withdrawn and NI thresholds brought down to zero it only provides a meaningful net increase in income for those who are not tax payers

**CITIZENS' WEALTH FUNDS
HAVE A STORY ABOUT
ENTITLEMENT WHICH IS
EASY TO UNDERSTAND
AND ROBUST**

Citizens' Wealth Funds have a story about entitlement which is easy to understand and robust. The nation has a certain level of wealth that is owned in common, and we are each entitled to an equal share of it. Rather than arguing (as a classic UBI does) that everyone is entitled to a decent income from the state, advocates of Citizens' Wealth Funds argue that certain assets which belong to the state should be shared fairly (ie evenly) among citizens.

Once the fund has been established and is able to pay out dividends, the 'tax problem' appears to be solved; there is no further need to argue about whether or not the dividends should be distributed.

Citizens' Wealth Funds may also have 'co-benefits' as the case for them may dovetail with other arguments as to why the state should have ownership interests in certain businesses – e.g. to influence their approach to particular social or environmental goals.

A Citizens' Wealth Fund can be thought of in three stages:

First, it needs to be set up; where does the funding come from?

Second, it needs to be invested to generate a return; how should this be done?

And, third, at some point in the future it needs to be distributed; how is this done and can we trust future governments to do it?

In the rest of this chapter, we consider the issues and opportunities associated with each of these stages.

5.1 THE MATHS OF A CITIZENS WEALTH FUND

It is useful to start by setting out the maths behind a Citizens' Wealth Fund so as to show the scale of the funding requirement for a given level of eventual distribution.

Let us take as our starting point Lansley and Reed's suggestion that we could establish a fund which aims (in 20 years' time) to supplement the £60 a week basic income considered in chapter 3 with a further £20 a week (roughly £1,000 a year). They also suggest the fund should finance smaller increments to their 'Model 1' UBI for pensioners and children. Another £1,000 a year for 41 million working age adults would cost £41bn, but, taking into account some offsetting reductions in means-tested benefits, Lansley and Reed estimate a net additional cost of £26bn.

All numbers are considered in today's money; inflation is stripped out of all the calculations at each point.

We could do this by endowing the fund with a large sum now and reinvesting the returns it generated until we are ready to start paying out in 20 years' time. After 20 years, we assume the fund no longer needs to grow, but can pay out all of its real investment returns as an annual dividend.

If we assume that the fund can generate a real return of 4% a year (similar to the returns that the Norwegian and Australian funds have generated) we would need to give the fund an initial endowment of approximately £300bn. The endowment required is very sensitive to the assumption about the return; if returns were only 3% we would need nearly £500bn and if returns were 5% we would only need £200bn.

If we want to start making payments earlier – say after 10 years, the endowment requirement increases to approximately £450bn at a 4% return.

Alternatively, we could make annual endowments throughout the period which we are building up the fund (and stop when we are ready to distribute). Given a 4% return earned over 20 years we would need to contribute £21bn a year.

This is all summarised in the table below. Clearly, one could combine different amounts of initial and annual endowments and make more complex assumptions about what happens once the fund is 'mature'; we might want it to continue to grow in real terms so that the income provided could grow, in which case the endowments in the build-up phase would need to be bigger.

Table 5A Endowment required to establish a fund to finance an annual payment of £26bn

| | | | | |
|---------------------------------|-----|-----|-----|-----|
| YEARS BEFORE PAYOUT | 20 | 20 | 20 | 10 |
| ANNUAL REAL RETURN | 3% | 4% | 5% | 4% |
| Initial endowment required (£b) | 480 | 297 | 196 | 440 |
| Or alternatively | | | | |
| Annual endowment required (3bn) | 31 | 21 | 15 | 53 |

This does all assume that the funding of the endowment is 'free'. If the fund was set up on the basis of government borrowing, and the interest cost of the borrowing also needed to be taken into account, the endowments would obviously have to be bigger – depending on the rate at which government was able to borrow⁹¹.

If the Government was able to borrow to finance the fund on the basis of existing yields (the 20 year yield on UK government debt is approximately 1% as at the beginning of 2021), this would raise the endowment required, assuming a 4% return from £300bn to closer to £500bn.

5.2 ENDOWING A CITIZENS' WEALTH FUND

Most existing sovereign wealth funds have been set up when a state has found itself with a significant budget surplus, which it has decided not to spend immediately but to keep for future years – either because its income is volatile (eg states whose revenues are heavily dependent on the commodity cycle) or because it is receiving income from a source of wealth (almost always oil) which is enormous in relation to its population and its needs.

The UK was never really in this position in relation to oil. At its peak production Norway was producing more oil than the UK with less than 10% of its population.

MOST EXISTING SOVEREIGN WEALTH FUNDS HAVE BEEN SET UP WHEN A STATE HAS FOUND ITSELF WITH A SIGNIFICANT BUDGET SURPLUS, RECEIVING INCOME FROM A SOURCE OF WEALTH WHICH IS ENORMOUS IN RELATION TO ITS POPULATION AND ITS NEEDS. THE UK WAS NEVER REALLY IN THIS POSITION IN RELATION TO OIL

Alaska produces one third to a half of what the UK produced at its peak with around 1% of the UK's population. So, for every one barrel of oil extracted for each UK citizen during our peak period of oil output, a Norwegian citizen had more than 10 and an Alaskan has more than 30. We never had their level of surplus.

We are certainly not in that position now. We would, therefore, need to make some harder choices if we wished to establish and endow a Citizens' Wealth Fund.

To achieve a £26bn annual return (in real terms) in twenty years' time, we could endow a fund with £15bn to £30bn a year over the next 20 years (Table 5A). Various taxes could be raised to set aside money for this, or we could steadily increase the national debt.

91. This will depend on the future trajectory of interest rates, but also on factors specific to the set-up of the wealth fund. If the loan was to the fund rather than to the government, interest rates would likely be higher. If the loan was to the government, but it was significant in relation to total government debt, and the government had no recourse to the wealth fund to pay down debt in a financial crisis, it would also be higher.

While this is possible, it seems an unusual choice in the context of the other things we might spend this amount of money on. We could instead fund from today a significant increase in Universal Credit, a modest Basic Income or even a Job Guarantee fund if we were still attracted to that idea.

It is more productive to consider the proposals for a one-off endowment. These might be characterised as funding by wealth taxes or by 'stealth' taxes; we will consider the latter first.

5.2.1 Endowments based on 'Stealth' taxes

Given the difficulties with raising taxes, advocates of wealth funds have sometimes looked to endow a fund with assets which the Government already owns. This does not appear to increase the requirement to tax citizens.

Roberts and Lawrence, for example, suggest a fund should be set up partly through transferring into it the Crown estate and the Government's shares in RBS. Penrose suggests building a fund from the assets held by the British Business Bank, all property owned by the state (including the Crown estate) and the National Fund⁹². Lansley, McCann and Schifferes suggest transferring £50bn worth of state assets.

While this can be presented as avoiding the need to raise taxes, this is misleading.

The assets described are typically either already generating (or forecast to generate) income, which is financing government spending within existing government projections or (as is the case of much state-owned property) providing facilities for the provision of government services, which facilities would otherwise have to be paid for. So endowing a Citizens' Wealth Fund with such assets would require the Government to increase taxes or debt to replace the benefits that had previously been provided; in effect this is equivalent politically to a 'stealth tax'. If one is an opposition politician putting forward the idea, without much hope of being in government, this might not matter; the 'we can't afford this without putting up taxes' challenge can be swerved. But if we are actually trying to implement it, we will soon have to balance the books with tax increases or service cuts.

The returns likely to be generated from many of the assets in question are also quite small. If we had shared out the annual dividends the Government received, once Lloyds resumed dividend payouts, among all working age adults, everyone would have received about £6 each. If the Green Investment Bank had paid out its entire profit in the year before it was sold this would have been about £0.50. Of course, it was sold before it was mature – but, even if it had grown to own 25% of the offshore wind industry in which it was investing and delivered healthy returns on these assets, citizens would be receiving tens rather than hundreds of pounds each.

92. Worth £500m, a charity set up many years ago with the quixotic aim of paying off the national debt but whose funds are now inaccessible due to the nature of its charter.

It seems likely that this kind of approach is only going to contribute marginally to the establishment of a meaningful Citizens' Wealth Fund.

5.2.2 Endowments based on wealth taxes

A MORE RADICAL APPROACH, WHICH MAY HAVE A BETTER CHANCE OF ESTABLISHING A FUND OF SCALE IS THROUGH THE USE OF WEALTH TAXES

A more radical approach, which may have a better chance of establishing a fund of scale is through the use of wealth taxes. This takes us into a slightly broader discussion of this form of taxation.

Some on the left see increasing inequalities in wealth to be as big a problem as inequalities in income and want to address this through wealth taxes. A significant objective for these thinkers is the establishment of a fairer society.

It also happens that, *compared to other taxes*, the idea of wealth taxes is popular⁹³. This support may be partly due to a conflation between 'wealth' and the 'wealthy' and the relative popularity of taxes which one expects someone else to be paying. Support is most pronounced when the proposed wealth tax excludes homes and pensions – the two assets which most individuals own themselves⁹⁴.

But popular support is also likely due to a (largely correct) assumption that some of those with high amounts of wealth have benefited significantly from unearned income which either escapes taxation or is taxed at a low level under existing arrangements. Capital Gains Tax rates are lower than Income Tax rates and there are significant exemptions. Inherited wealth is lightly taxed because Inheritance Tax ("IHT") is poorly constructed and difficult to collect⁹⁵. The wealthy are likely to have more access to tax planning opportunities to reduce tax bills. This angle – that a wealth tax is in essence a 'backup' to catch income which has escaped the tax net – is the approach most likely to be attractive to orthodox economists.

MEANINGFUL WEALTH TAXES ARE NOT WIDELY DEPLOYED AND HAVE A PATCHY HISTORY. ONLY THREE OECD COUNTRIES – SPAIN, NORWAY AND SWITZERLAND CURRENTLY HAVE WEALTH TAXES. EVEN THERE THEY DO NOT CONTRIBUTE MUCH IN THE WAY OF TAX REVENUES

However, meaningful wealth taxes are not widely deployed and have a patchy history. Only three OECD countries – Spain, Norway and Switzerland currently have wealth taxes.

93. E.g. Demos (2020). A number of other surveys have found similar results

94. Advani et al (2020) section 3.1

95. Though interestingly IHT is an extremely unpopular tax; many people object strongly to the idea that their own income might be taxed 'twice'.

Even there they do not contribute much in the way of tax revenues; Switzerland has the most significant tax, contributing 4% of tax revenues while in Spain wealth taxes contribute only 0.5%. Wealth taxes were used more widely in the 1990s (with 12 OECD countries using them), but most of these have been repealed⁹⁶.

The heart of the problem with wealth taxes is the valuation and realisation of illiquid assets. It is difficult to value unquoted business assets and many specialised asset categories (art for example) which are usually only accessible to the wealthy. Homes and pension pots are easier to value but difficult to realise, which means anyone asset rich but cash poor possibly faces hardship when a wealth tax is implemented. If a scheme fails to address these problems and excludes certain classes of assets, very big opportunities for avoidance are created as the better off move their wealth into asset categories which are outside the tax base. Differential treatment of different asset classes also opens up the opportunity for lobbyists to shape the scheme in their interests; again, this tends to favour the rich.

As has been observed of Inheritance Tax, which shares some of these problems, the tax ends up being paid mainly by those with middle income just over the threshold for inclusion in the tax. Most of the assets which got through the Income Tax net are untaxed again, and the wealth tax double taxes earned

income which has not been spent, disadvantaging those who save rather than spend their money. This is not a desirable outcome⁹⁷.

A significant independent review (The 'Wealth Tax Commission') of the potential for introducing wealth taxes in the UK has just been completed⁹⁸. This reviewed the opportunity for introducing both recurring and one-off wealth taxes.

The Commission authors are sceptical about recurring taxes for the reasons set out above. The expense and practicality of recurring valuations make it difficult to include all asset categories leading inevitably to extensive tax planning and avoidance. It is difficult, on a recurring basis, to deal with the challenge of illiquid housing wealth. The reviewers could see no reason why what had failed elsewhere could be successful here.

However, they are supportive of a one-off tax.

Were the Government to announce today a one-off wealth tax based on the holdings of wealth as of yesterday, there would be very little opportunity to avoid the tax. As a one-off tax, it is proportionately less costly to value assets for which there is not a liquid market. Provided that taxpayers actually believe the tax is a one-off event, it should not distort future employment, saving and investment decisions. As a one-off tax it is easier to set up rules for deferment where taxpayers lack liquid resources.

96. Perret (2020)

97. See Mirrlees et al (2011) ch 15

98. Advani et al (2020)

The authors of the Wealth Tax Commission report do not make a recommendation on the level of a tax but provide various illustrations. One of their highlighted illustrative cases raises £260bn which is in the right ballpark for an initial endowment for a Citizens' Wealth Fund to provide a £1,000 UBI in 20 years' time. This is based on taxing 5% (payable over 5 years) of all wealth over a threshold of £500,000, taxing 8 million people.

Their suggested narrative is that this is a one-off tax to deal with the costs of Covid – potentially to pay down debt that has arisen as a result of the crisis. But could it also work as a one-off payment to set up a Citizens' Wealth Fund?

There is a political question here as to whether a one-off tax to set up a wealth fund would be more or less saleable than a one-off tax to deal with the financial aftermath of Covid - and indeed whether opinion polls which suggest a wealth tax is popular would really turn out to be a good guide when eight million people are asked to pay a new one-off tax. We have not done detailed work here, but we will come back to this, as it seems to be the weakest link in the logic supporting our Citizens' Wealth Fund proposal.

There is also the question whether we would eventually regret having chosen to put the proceeds of the tax into a wealth fund rather than to reduce debt?

This is likely to depend on:

- a). *What interest rates do – if they stay low for a very long time, the costs of debt will remain unproblematic, and the decision to invest the proceeds of a Wealth Tax in a Citizens' Wealth Fund is more likely to have been a good one;*
- b). *How successful the fund is in generating investment returns;*
- c). *Whether, were the country to get into financial 'trouble', the fund can be raided so as to maintain services or deal with a problem.*

5.3 INVESTING A CITIZENS' WEALTH FUND

Most of the large successful sovereign wealth funds are operated with a high degree of independence from government and from political objectives, and follow investment strategies similar to those of privately owned capital. There is no reason why the UK Government should be less competent at this than Norway or Australia.

The goal is to provide as large as possible dividend starting in 20 years' time and continuing in perpetuity. The dividend would be a significant component of income for many of its beneficiaries, and one would expect them to favour the fund pursuing a relatively safe investment strategy (though this could be determined democratically). The strategy over the build-up phase of the fund is likely to be similar to that of operating a pension fund for someone now in their mid-40s looking for a steady income when they reach their mid-60s.

A CITIZENS' WEALTH FUND
IS NOT OBVIOUSLY A
GOOD TOOL TO CORRECT
MARKET FAILURES OTHER
THAN WHERE PRIVATE
CAPITAL IS RELUCTANT
TO INVEST IN A SOCIALLY
OR ENVIRONMENTALLY
VALUABLE PROJECT BECAUSE
IT IS UNSURE OF HOW
FUTURE GOVERNMENTS
WILL BEHAVE

It would include some proportion of high risk/ high growth opportunities, but the majority of the fund would be focussed on less risky investments.

It would be more difficult to deliver an investment mandate on behalf of citizens if the fund were invested in unusual assets, had additional objectives or was subject to political interference. A portfolio consisting entirely of troubled companies whose equity the Government had acquired as a consequence of them being unable to pay back Covid government debt would need to be diversified. Much of the crown estate or government property (were those to be a significant part of the initial endowment) should probably be sold and the proceeds reinvested in a portfolio more appropriate to the Citizens' Wealth Fund mandate. We should be careful of suggestions that the Citizens' Wealth Fund should be seeking to deliver additional social goods as well as the citizens' dividend it was set up for – or at least, accept, that if this is the

case, the eventual dividend is likely to be smaller. In general, we are sceptical about 'co-benefits' being derived from such a fund.

A Citizens' Wealth Fund is not obviously a good tool to correct market failures other than in one type of circumstance. This is where private capital is reluctant to invest in a socially or environmentally valuable project because it is unsure of how future governments will behave. This has sometimes been a problem with low carbon investments. Consider offshore wind power. Ten years ago, this was not economic, and any investment case was dependent on future governments implementing policies which would penalise fossil fuels and allow the offshore wind industry to develop sufficient scale to drive down costs. The Government of the time addressed this by taking on some of the investment itself (through the Green Investment Bank) and through long term supply contracts, which transferred the 'political' risk (and some other categories of risk) from private investors to residential and small business electricity consumers. This strategy has been effective, and the UK now leads the world in its portfolio of offshore wind power.

The Climate Change Committee identifies significant investment requirements – approximately £50bn a year over the next twenty to thirty years – to fully decarbonise the UK economy. It believes there are positive economic returns on much of this investment – and underlines how important it is that the Government provides sufficient

certainty about policy for future investments to be made⁹⁹. The Climate Change Committee envisages that the investment will mainly be provided by the private sector but with government interventions in some of the areas where it is harder to achieve a return (eg the decarbonisation of domestic heating). It recommends that government co-investment will sometimes be appropriate – potentially through the recently announced National Infrastructure Bank. Some of this investment could be placed in a Citizens' Wealth Fund though, as previously discussed, this only really works if it is reasonable to expect a market return on these assets, and the scale is likely to be small compared to the total endowment required to generate a meaningful dividend¹⁰⁰.

5.4 DISTRIBUTING A CITIZENS' WEALTH FUND

Most sovereign wealth funds are managed for the future benefit of citizens. The unusual component of a Citizens' Wealth Fund is the requirement that the government use the income of the fund to make a certain pattern of payments to citizens from a particular date. How strong is the argument for imposing this restriction rather than letting a future government decide what is best done with any wealth created? We see two possible concerns.

One reason for caution about closely defining what happens to the fund is the level of uncertainty in relation to a 20-year commitment. We do not know what returns will be. We also don't know what crises the Government will be handling at the time and whether there might be a more urgent need.

There is also scope for a future government to neutralise the impact on inequality of dividends from a Citizens' Wealth Fund through its other actions. Since the income from even a large fund will still only be a small component of cash flows between citizens and government in the wider tax and benefit system, it will be relatively easy for future governments to take the prospective income from the fund into consideration when making other decisions about tax and benefits. For example, a future government might decide that it needs to provide less benefits and can opt for a less progressive tax system because poorer citizens have access to Citizens' Wealth Fund income.

These concerns are reasons for caution rather than fatal to a Citizens' Wealth Fund proposal. Clearly, the existence of such a fund would shape how governments behaved in the future. But it is a very different proposition from delivering better distribution now.

99. Climate Change Committee Sixth Carbon Budget (2020)

100. We might follow the approach of the Australian sovereign wealth fund, which ring-fences a small proportion of its investment for specific environmental and other objectives.

5.5 CITIZENS' WEALTH FUND CONCLUSION

IT WOULD BE GREAT IF
THE UK ALREADY HAD A
CITIZENS' WEALTH FUND
WITH A MANDATE TO
DISTRIBUTE SOME KIND OF
PARTIAL BASIC INCOME.
BUT WE DON'T

It would be great if the UK already had a Citizens' Wealth Fund with a mandate to distribute some kind of partial basic income. It would provide citizens money, as of right, beyond the debate about taxes. But we don't have this.

The benefits from setting up a Citizens' Wealth Fund today will not arise for many years. In the wake of Covid, with increased government debt and increased unemployment, few would prioritise redistribution in 20 years' time compared to redistribution now. In this context, it is hard to see the argument for allocating annual revenue from taxes to drip feed the endowment of a fund. Some proposals to endow a Citizens' Wealth Fund by injecting existing government assets (which in any case are unlikely to deliver a return commensurate with that required) fall into the same boat; the need to compensate for revenues that would otherwise be derived from these assets make them in effect disguised increases in government expenditure which would therefore require either cuts or

other taxes; if we are prepared to do this, we should spend the money on redistribution now.

The argument for a Citizens' Wealth Fund is more interesting if we consider how the state might spend the proceeds of a possible one-off wealth tax. Would our descendants and our future selves thank us more for using this setting up a Citizens' Wealth Fund or for paying off debt?

An idea to explore further could be a Citizens' Wealth Fund with an initial endowment from a one-off wealth tax along the lines proposed by the Wealth Tax Commission;

- *The fund to be managed independently of government with strong protections against political interference;*
- *The majority of the fund to be invested with a clear mandate to maximise the required returns profile, subject of course to ethical and environmental constraints as are legally required and as are market norms;*
- *Potentially, a component dedicated to low carbon investment for the next 10 years;*
- *The Government to have the right to raid the fund to pay down debt during the first 10 years but only if there was a major economic crisis.*

All that said, and whatever the merits of this, we suspect that the politics of taxing 8 million people on 5% of their wealth over £500,000, including housing and pensions, in order to finance benefits for everyone in 20 years' time, would be much too difficult.

WE THEREFORE
CONCLUDE THAT A
CITIZEN'S WEALTH
FUND HAS RELATIVELY
LITTLE CHANCE
OF EVER BEING
IMPLEMENTED AND
ARE NOT PROPOSING
TO TAKE IT FORWARD

6. CARBON DIVIDEND

6.1 ENVIRONMENTAL LOSSES FACING A NEW GENERATION

BY THE TIME MY NEWLY BORN GRANDSON REACHES MIDDLE AGE HE WILL BE EXPERIENCING UNPRECEDENTED HEATWAVES, DROUGHTS, FLOODING. THIS WILL HAPPEN REGARDLESS OF ANYTHING HE HIMSELF DOES. HE AND HIS GENERATION MIGHT LEGITIMATELY ASK FOR COMPENSATION

By the time my newly born grandson¹⁰¹ reaches middle age he will be experiencing unprecedented heatwaves, droughts, flooding (and likely global instability¹⁰²) as the world continues to warm.

This will happen regardless of anything he himself does.

Even if he chooses to eat no meat, never sets foot on an aeroplane, lives in a well-insulated house powered by renewable electricity and generally travels by bicycle, without global action the benefit he will take from his environment will be much less than I have enjoyed.

This is new. The natural environment I enjoy in middle age is different to that enjoyed by my grandparents. But it is hard to say whether it is better or worse. While there are some aspects of the environment which are seeing greater stresses, there is much good – improved travel and access, better urban living conditions - to offset this. If we go back further generations beyond my grandparents, there will have been similar trade-offs between improved regulation and access versus greater population and more development.

Whereas, without global action the natural environment for my grandson is going to be worse.

He and his generation might legitimately ask for compensation particularly if they make lifestyle choices which avoid emitting greenhouse gases. It is difficult getting money from the dead – and his forefathers have also created (and largely, though not entirely, paid for) the infrastructure and regulation which has meant that – from the point of view of being able to enjoy his environment as an averagely entitled UK citizen – he has gained as much as he has lost. Better to ask for compensation from those who now are continuing to cause the accumulation of greenhouse gases. Those who fly, heat their houses with fossil fuels and drive combustion engine vehicles. To the extent that he does these things himself, he also should pay into the pot to compensate his sister and cousins¹⁰³ who are pursuing a less damaging lifestyle. So, he will be entitled to a net amount of compensation depending on how much damage he does compared to how much he suffers.

101. As it happens, a purely hypothetical grandson.

102. See Lieven (2020)

103. Also all hypothetical

6.2 COSTING THE EFFECTS OF CLIMATE CHANGE

Valuing the loss that will be caused by climate change is difficult and commentators arrive at widely different answers because developments in the climate, economics, regulation and technology are difficult to forecast over long periods of time and because of conceptual differences about how we compare present and future costs¹⁰⁴. We have a high level of confidence that – in the absence of radical action – significant increases in global temperatures are inevitable and we know that the range of outcomes will be between bad and catastrophic. We understand the impact some present and nascent technologies could have on reducing the damage, but we don't know what else we might at some point be able to do to reduce warming or to mitigate its consequences¹⁰⁵.

As an alternative to valuing the loss, we can try to estimate what it would cost to avoid a damaging increase in temperatures and, using this information, to establish a pricing mechanism sufficient to make it worth the while of emitters to stop emitting.

This is also a difficult task. It requires a long-term base projection for what will happen in the absence of emissions reductions, a view on how emissions

might be reduced (and over what time period) to deliver a chosen lower level of warming (usually taken to be the UN target of limiting increases to 1.5 degrees), a hypothesis about which technologies will deliver these emissions in which proportions and how much they will each cost and a set of assumptions about regulatory frameworks, which may make reducing emissions easier or harder.

The US based Carbon Pricing Leadership Commission and the World Bank have provided one set of estimates for global carbon prices required to mitigate climate change¹⁰⁶. Their 'headline' is that the world would need to introduce taxes of \$50-\$100 per tonne of CO₂ equivalent emissions in 2030 to be on a trajectory to restrict warming to 1.5 degrees. However, the figures within the report could support a much wider range of answers, with studies showing a cost per tonne of anything from \$45 to \$1000.

A UK study¹⁰⁷ takes a simpler approach by asking how much it might cost to do the last, hardest yards of getting the UK to its net zero objective in 2050. Based on the projections of the Climate Change Committee¹⁰⁸, this is expected to require substantial use (greater than 50 million tonnes of CO₂ each year) of carbon capture technologies, which are expected to cost £125 to £300 a tonne by 2050.

104. This is normally done through applying a discount rate. However, traditional techniques of discounting the future based on an investors preference of money today have limited application when comparing between different generations over very long periods. Some commentators give the future a very similar weight today, discounting only for the relatively small possibility that mankind is destroyed and the future never arrives. Others stick with a more conventional approach as used in financial analysis. This choice determines whether what happens in 2100 is important to our conclusion or completely insignificant. 105. See Salles (2019) for a good overview of the recent literature. Tol (2018) provides a recent summary of academic estimates of the cost of global warming. Stern (2006) is an earlier and rounded view. 106. Stiglitz, Stern and others (2017) 107. Burke et al (2019) 108. The most recent projections at the time of writing are in the sixth carbon budget – Climate Change Committee (2020).

As a headline, the UK authors propose a specific price (£160) in 2050 and a gradual increase in prices up to that point¹⁰⁹.

In summary, costing my grandson's loss requires a complex (and difficult to communicate) conceptual discussion with an unhelpfully large range of answers.

But there is also a simple and easy-to-communicate 'shortcut' which has the added benefit of an easy-to-communicate financing strategy. We agree, by one means or another, a set of carbon taxes for the UK which will be one tool in emissions reduction. We hypothecate the income from these taxes to those in the UK who will lose most from climate change.

6.3 WHO SHOULD PAY AND WHO SHOULD BE COMPENSATED?

THE PRINCIPLE OF A CARBON TAX IS SIMPLE; THE 'POLLUTER' PAYS

The principle of a carbon tax is simple; the 'polluter' pays. Operationalising this principle (and answering 'who is the polluter?') generates two questions, which are sometimes confused or conflated. What is the mechanic of collecting the tax (for example, should it be collected from the generator using the coal to produce electricity, the car

manufacturer using the aluminium that has required the electricity or the consumer buying the car)? And who bears the economic cost? In many circumstances it will be the consumer who bears the cost¹¹⁰, however the tax is collected – which is a fair outcome as it is their consumption which is creating the requirement for the emissions.

Since the 'pot' to be distributed is based on the carbon tax raised in the UK the tax base is primarily going to relate to emissions generated within the UK (UK "territorial emissions") rather than emissions generated from goods and services consumed in the UK ("consumption emissions"). Taxes on emissions generated by goods manufactured in China for the UK will be collected (if at all) by the Chinese government. It is possible that there will be a system of carbon-based tariffs on imports and exports ('Border Carbon Adjustments') in cases where exporting countries do not themselves impose carbon taxes – with the UK collecting tariffs in respect of the emissions embedded in imported goods and repaying UK taxes collected in respect of exports – a point to which we will return below. Though some countries are now seriously considering such border adjustments, there are significant practical, legal and diplomatic issues.

Who should receive compensation? The losers from climate change are the young. Their start is worse than ours. I am likely to be dead before the worst

110. The incidence of the tax will depend on the elasticities of supply and demand, scope for alternative lower carbon products etc. But many uses of fossil fuel are quite price inelastic. There is a general tendency to focus unduly on where tax is levied rather than on its incidence.

effects of climate change damage the planet. I should pay my grandson. The biggest losers are likely to be the young in many developing countries. If we follow the argument in this chapter to its logical conclusion, we should perhaps hypothecate the revenues from UK carbon taxes to the young of Bangladesh and similar states. However, it seems extremely unlikely that this would ever be acceptable politically in the absence of a global treaty whereby multiple countries did the same (and even then...). We are more likely to get to a practicable proposition if we focus on transfers within the UK.

Within the UK, the intergenerational point is easy to understand. Where one draws a line between 'deserving young' and 'polluting old' (or how one graduates compensation) is harder to determine.

The next generation faces a double whammy; they live with the downsides of global warming for longer, and they are alive long enough to see the biggest effects. Simplistically, if we assume that the effects of the problem are starting to become evident now, and that they continue to get worse in a linear fashion, someone living for another 90 years will suffer nine times more from the effects of global warming than someone living for another 30 years and 75 times more than someone living for another 10 as set out in the table below¹¹¹. If we also assume that the emissions we generate each year continue to contribute to global warming throughout this period¹¹², it would not seem unreasonable to pay out the proceeds from carbon taxes in roughly these proportions – i.e. so that someone with an estimated 90 years to live gets 75 times more than someone with only 10.

THE NEXT GENERATION FACES A DOUBLE WHAMMY; THEY LIVE WITH THE DOWNSIDES OF GLOBAL WARMING FOR LONGER, AND THEY ARE ALIVE LONG ENOUGH TO SEE THE BIGGEST EFFECTS

111. Once you make two big simplifying assumptions – that the rate of increase in suffering is linear and that it starts from today - this is mathematically true regardless of any assumptions about emissions etc. If we additionally assume that in 60 years' time things stop getting worse (say globally we stop emitting greenhouse gases after 2070 and this leads to the climate stabilising from 2080), then the relative disadvantage of those born today and expecting to live for 90 years is slightly less but still 67 times more than someone with only 10 years to live

112. Not unreasonable given how long many of the greenhouse gases stay in the atmosphere.

Table 6A Simplistic model as to how climate change harm varies with remaining life expectation

| YEARS OF LIFE REMAINING | 10 | 20 | 30 | 40 | 50 | 60 | 70 | 80 | 90 |
|--|-----|-----|-----|------|------|------|------|------|------|
| Impact as a multiple of impact for someone with 10 years of life remaining | 1.0 | 3.8 | 8.5 | 14.9 | 23.2 | 33.3 | 45.2 | 58.9 | 74.5 |

But even leaving aside the very simplistic assumptions, the challenge of communicating this kind of gradation in benefits is insuperable.

Any practical policy of this nature would be set up to pay a dividend to those below a certain age cut off. There are two simple models. One is to make a cut off at 16 and make the payment to parents of children. The second is to pay money to adults under 30. Both households including children and households including under 30s are poorer than the country as a whole, so both would have positive distributional consequences. Targeting adults under 30 has the advantage that the money would go directly to them rather than to their parents, and, in this report, we will develop that model though there are good arguments for either.

113. Both approaches have benefits, but carbon taxes are easier to explain and, as one key feature of the proposition is communication, are preferred here as a headline mechanic. In practice, there may well be a hybrid approach. There are strong arguments for keeping the UK aligned with the EU (particularly if we want to progress Border Carbon Adjustments but also from the perspective of large energy users which trade with Europe) and the EU is committed to an ETS. However, for the many parts of the economy that the EU ETS does not cover, the UK is unlikely to have the scale to develop ETS markets and the preferred mechanic is more likely to be carbon taxes.

6.4 A MODEST (?) PROPOSAL

We might set up a carbon pricing / young person's carbon dividend proposal as follows:

- *The UK should set a carbon price trajectory which raises the price of carbon emissions across the economy to £75/tonne by 2030 and continues to increase thereafter;*
- *The approach to taxing should initially be flexible - in that it should take account of the various carbon-based taxes which are already in place and the different capacity for reducing emissions of different parts of the economy;*
- *Some of the revenue generated should be set aside to help poorer households change to low/ no carbon heating so that they are largely shielded from the tax cost;*
- *The remainder of the additional government revenues generated from this policy should be shared evenly among all citizens between 16 and 30.*

We will assume that the carbon price is levied through carbon taxes rather than through the auctioning and trading of permits to emit greenhouse gases¹¹³.

The proposal envisages an approach to raising taxes along the lines of that advocated by the Zero Carbon Commission in their 2020 white paper¹¹⁴ – though the approach to distributing the proceeds is different.

We estimate this would raise something like £10bn of new money annually, with the amounts raised increasing gradually to a peak in the early 2030s (as the carbon price increases more quickly than emissions decline) and then declining thereafter as the reduction in emissions becomes the more significant factor. If the UK achieves its net zero objective, there will be no money raised after 2050¹¹⁵.

£10bn is less than one might initially suppose. £75 per tonne applied to today's UK territorial emissions of just over 500 tonnes is closer to £40bn. However, (a) emissions will decline before carbon prices reach this level, (b) from a fiscal perspective there are already some carbon taxes in place¹¹⁶ and so the new money available for our dividend will be less than the total raised

and (c) there are some practical and political limits as to what is taxed.

The Zero Carbon Commission white paper suggests a higher figure of £27bn, but approximately two thirds of this relates to income from ambitious proposals in relation to Border Carbon Adjustments which we have to some considerable extent discounted¹¹⁷. If we wanted a higher yield we would need to look at a higher rate of tax – which some would argue for and may be both justifiable and feasible¹¹⁸.

The proposal assumes that £2bn a year would be set aside to support low income households in installing low/ no carbon heating which significantly reduces the additional tax charge these households would face¹¹⁹. The remaining £8bn per year would represent roughly £650 a head for the 12 million 16-30s in the UK.

114. Zero Carbon Commission (2020)

115. This may seem unfair to generations born after 2050. We will need to consider some other solution when we get there.

116. In some cases, for example road transport, existing carbon taxes are arguably quite high – though since fuel duty covers other externalities such as congestion the amount of this tax which is attributable to carbon emissions is not clear cut. It is not the subject of this report, but road fuel duty will need restructuring in any case since the elimination of combustion engines will otherwise lead to a major gap in government finances.

117. The £27bn assumes that almost all UK imports will be subject to a tax on carbon content because UK carbon taxes will be persistently higher than those of exporters and the UK will therefore be entitled to 'top up' the taxes to the level of carbon pricing in the UK. There are legal, practical and diplomatic obstacles to implementing such a regime at all. If we do succeed in introducing Border Carbon Adjustments they are likely to cover only a subset of products. Given the need for diplomatic support from our major trading partners, it is quite unlikely that it would be implemented on a basis whereby the UK is able to continue to charge a significant uplift on imports from its main trading partner, the EU. It is therefore hard to envisage this being as significant a source of tax revenue as the Zero Carbon Commission assumes.

118. Sweden and Canada are both committed to higher rates than proposed here.

119. The costs of improving the installation of the UK housing stock and replacing (largely) gas heating with heat pumps or hydrogen are large; the Green Finance Institute estimates them at £65bn. These costs will need to be borne in any case. The proposal here is costed on the basis of removing the additional cost to the bottom 3 deciles of the proposed additional carbon tax – i.e. to make these households cost neutral in relation to this part of the proposal. In order to reduce emissions, it is better to do this through having a carbon tax and a subsidy which enables one to avoid it than to scrap the carbon tax for these people altogether. How this interacts with the wider funding (private or government) of improving the property stock would need to be determined.

6.5 WHY THIS MIGHT BE ATTRACTIVE

6.5.1 Distributional consequences

This proposal starts from an argument about the right to recompense of one group in our society (the young). But it also has positive distributional consequences. Averaged across the population, emissions increase with wealth, so taking money in proportion to consumption and distributing it as a flat per head payment might be expected to be progressive.

THIS DISTRIBUTION SIDE OF THE PROPOSAL IS OBVIOUSLY PROGRESSIVE. POVERTY IS HIGHER AMONG YOUNG. A FLAT RATE PAYMENT TO YOUNG PEOPLE IS, THEREFORE, LIKELY TO BE PARTICULARLY HELPFUL

This distribution side of the proposal is obviously progressive. Poverty is higher among young adults – with 27% of this age demographic in poverty compared to 19% of the remainder of the population¹²⁰. The age group, and the slightly younger age cohorts which will shortly join it, have also suffered particularly from Covid through lost education and, in the case of many individuals, from an extended period out of the workforce as the parts of the economy where many young people

work were shut down for long periods of time¹²¹. A flat rate payment to young people is, therefore, likely to be particularly helpful.

Taken in isolation the taxation part of the proposal is not progressive. Energy consumption is higher among the better off but energy consumption per unit of income varies in different ways across the income spectrum depending on the use of the energy¹²². For transport, energy consumption increases in a similar pattern to income. However, for energy use (in particular heating) and for food, energy intensity per £ of income reduces as income increases. As the largest part of transport costs are already subject to a quasi-carbon tax in the form of road fuel duty, a lot of the incremental cost of carbon taxation will relate to food, and, in particular, heating. While poor households will pay less tax than rich households, the tax will be a larger proportion of their disposable income.

The impact of a carbon tax on heating will also vary significantly within income bands depending on the nature of the home. Some poorer households living in social housing (which on average is better insulated than private housing) will be less affected. Those (typically the old) living in small households in poor quality, larger properties will be particularly affected¹²³.

120. Department of Work and Pensions (2020) tables 2 and 4. As discussed in note 33, there are some problems with the basis on which these figures have been derived. It is hard to estimate the combined impact of these issues on the relative impact of poverty on young people. See also New Policy Institute (2015)

121. IFS May (2020) 122. Burke et al (2020) 123. BEIS (2020)

14% of households headed by younger adults (aged 16-24) are 'fuel poor' on the Government's definition compared to 10% of the population as a whole¹²⁴.

Burke et al's analysis¹²⁵ which has a similar approach to the taxing part of the proposal outline above suggests that if 70% of the additional income from the tax were recycled evenly across households, the bottom three deciles would, on aggregate, be net beneficiaries, and that if a mechanic were devised to focus the redistribution on the bottom 30% of households, the bottom decile might see increases in income of around 7% - though within this, as noted above, there would be some quite big variations based on fuel costs, with some poor households still losing.

In the absence of other policies, paying the dividend entirely to young people would create a different dynamic, with big winners among households with young people and losers among those without – potentially including some quite big losses among a small proportion of poor households with expensive-to-heat properties, as illustrated in the first table below. This is not what we want – hence the proposal includes additional state support to help poorer households convert to low/no carbon energy sources – the eventual goal. This is shown in the second table. Nonetheless, additional carbon taxes on items other than heating will mean there will still be a level of extra costs for all households which do not include younger adults.

Table 6B Percentage change in household income for carbon tax and carbon dividend taken together without taking account of additional support to low income households¹²⁶

| INCOME DECLINE | 1 | 2 | 3 | 10 |
|---|-----|-----|-----|-----|
| With 2 adults 16-30 | 7% | 6% | 4% | 0% |
| With no adults 16-30 | -4% | -3% | -3% | -1% |
| High heating costs and with no young adults | -9% | -8% | -6% | -2% |

Table 6C Percentage change in household income for carbon tax and carbon dividend taken together on the basis that low income households are switched to zero carbon heating

| INCOME DECLINE | 1 | 2 | 3 | 10 |
|---|-----|-----|-----|-----|
| With 2 adults 16-30 | 10% | 8% | 6% | 0% |
| With no adults 16-30 | -1% | -1% | -1% | -1% |
| High heating costs and with no young adults | -1% | -1% | -1% | -2% |

124. BEIS (2020) Note, however, this is a statistic for houses headed by young people. The dividend would also go to young people living as part of other households (e.g. with their parents) and we have no information on fuel poverty for this group. 125. Burke et al (2020) Scenario 2 126. Author analysis, partly derived from Burke et al (2020). 'High heating costs' assumes fuel costs 3 times the average for that decile.

This is not primarily a redistribution scheme and would not be where one would turn to if one's only objectives were redistribution and the reduction of poverty. While overall it skews in favour of the poor, it creates some losses among poorer households. It might be a component of a broader redistribution proposal, and, certainly if one is going to implement carbon taxes anyway for environmental reasons, then distributing the proceeds to children or young people is helpful in reducing poverty.

6.5.2 Political support for reducing emissions

Carbon pricing is an important tool for reducing greenhouse gas emissions. Carbon taxes or emissions trading schemes are currently deployed in around 50 countries¹²⁷, including the UK. However, most of these are at a low level and, with a few exceptions, their impact on emissions has therefore been limited¹²⁸.

There are two systemic reasons why carbon taxes have generally been too low to make much of a difference.

One of these is the difficulty of dealing with international trade. If a country raises carbon taxes unilaterally, its importers and exporters will suffer a competitive disadvantage.

Its environmental objectives are also likely to be frustrated as producers shift activities abroad so that they can continue to manufacture without reducing emissions or paying a penalty. Carbon pricing schemes, therefore, almost universally exempt traded goods with high levels of emissions. Possible solutions to this problem are an internationally agreed regime of carbon taxes, a set of tariffs (Border Carbon Adjustments) which charge a carbon price on imports to the extent that they have not already been taxed at their point of origin or rebate previously paid carbon taxes on exports. The EU is currently considering a Border Carbon Adjustment proposal¹²⁹ but there are many obstacles to implementing this, and it is likely to be some time before even a partial solution is implemented. This international trade problem does limit the effectiveness and scope of our proposal here¹³⁰.

The second is domestic politics. While the route to resolving the 'trade' challenge is through international diplomacy, the political difficulties with raising carbon taxes are directly addressed by this proposal.

Carbon taxes are less popular than many other methods of reducing emissions. There have been several recent examples of carbon pricing

127. World Bank (2020)

128. Lilliestam et al(2020), Green (2021) One of the more successful applications has been the use of carbon pricing in the UK electricity industry, which is thought to have played a role in the removal of coal generation from the sector – Ofgem (2018), Leroutier (2019).

129. See Marcu et al (2020) for some of the issues and choices that will need to be made.

130. Differences in international ambition in relation to emissions reductions also limit a government's ability to introduce other climate change policies such as regulation. However, the problem in relation to carbon pricing seems to be particularly acute, probably because the comparisons between the costs faced by domestic (taxed) and international (untaxed) competitors are so obvious and so easy to communicate. It is much easier for a steel producer to argue that they should not pay any more taxes than the foreign competition than that they should be allowed to pollute as much as the foreign competition.

schemes withdrawn or curtailed in the face of determined opposition – France and Australia are notable examples. Academic studies and focus group research confirm the unsurprising conclusion that environmental taxes are less popular than subsidies and low profile industry specific regulations¹³¹.

The underlying issue with carbon taxes is a problem of trust.

The immediate personal cost of the tax is apparent to the individual. The benefit is a set of figures about carbon emissions whose validity and relevance has to be taken on trust from experts and/or the Government. While most people now believe that CO2 emissions do need to be reduced, they are often sceptical about whether carbon taxes make any difference and are concerned that their introduction disadvantages domestic businesses versus international competition¹³².

This threatens to leave us unable to deploy one important tool to reduce emissions.

There is some international experience to draw on in making carbon taxes palatable¹³³. People are likely to be most supportive if they perceive that money raised from carbon taxes will fund specific environmental projects. Second best is to recycle proceeds to compensate potential losers through some kind of lump sum transfers. Third best is for the proceeds to be recycled as part of more general tax cutting – this

comes last because people feel they have very little visibility as to whether promises of this kind are really kept.

Our proposal funds specific projects to help poorer losers from the tax reduce their emissions and compensates domestic losers from global warming in a very easy to understand and transparent way. We can reasonably hope that this will reduce opposition to carbon taxes.

6.5.3 A recognition of individual contributions to climate change solutions

The net benefits to households under this proposal will vary depending on their greenhouse gas emissions.

The largest variation will be driven by how much they are able or willing to reduce emissions.

However, where practical, a carbon pricing scheme also rewards activities which sequester greenhouse gases. Today, this is most obviously applicable to the agricultural sector, and, in the future, the largest scale application is likely to be through Carbon Capture and Storage technologies. But we should consider also whether there are practical methods of making small scale payments to reward sequestration activities at the household level. For example, were there to be an increase in taxes on property and, in particular, land (as has been widely advocated in some progressive quarters) there could be a rebate for tree planting and gardens¹³⁴.

131. Carattini et al 2018, Jaccard 2020

132. Carratini et al (2018)

133. Carratini et al (2017), Carratini et al (2018), Jaccard (2020)

134. Compared to other property taxes, land value taxes incentivise development and disadvantage gardens. Carbon pricing might offset this should land value taxes ever be adopted.

6.5.4 An honest national discussion of climate change

The proposal could also deliver a related but broader benefit to our national political dialogue about climate change.

At least in comparison to the United States, UK political support for emissions reduction is quite strong and includes the main party of the right as well as the left. But how broad based is this and how vulnerable is it to an insurgent challenge of the kind we saw in relation to Brexit? There are differences of opinion here. Output from the recent citizens' assembly on climate change suggests a high degree of support and engagement for emissions reductions¹³⁵. Others suspect that ten years of delivering reductions in emissions through changes that have been largely invisible to consumers give us no helpful evidence about what will happen over the next thirty years when consumers are required to accept more intrusive changes. And see Nick Timothy's advocacy of '...a change in Britain's crazily unilateralist approach to climate change policy' and condemnation of the power of the unelected Climate Change Committee¹³⁶ for one example of a critic of the current consensus who was very recently at the heart of government.

A pessimist might conclude that introducing carbon taxes, even with redistribution, is a threat to the current relatively helpful equilibrium.

An optimistic view would be that respect for everyone's right to be involved in the national conversation makes this the right thing to do and that such a conversation is essential in order to sustain the net zero project long term.

6.5.5 A self-regulating proposal

We don't know at this stage how successful we will be at reducing emissions. And we don't know how much damage the environment and younger generations will suffer. But these will be roughly inversely related.

Only 'roughly' because the level of harm relates to the level of global emissions rather than the UK's emissions (though for various reasons these are unlikely to diverge too much¹³⁷) and because the relationship between a given level of emissions and consequent damage to the environment is complicated.

Nonetheless, broadly speaking, the more harm that is done, the more the younger generation receives in compensation under this proposal. If we are unexpectedly successful in cutting emissions quickly, they will receive less. This is a feature not a bug.

135. Climate Assembly (2020)

136. N Timothy (2020)

137. There is likely to be political resistance in the UK to getting too far ahead of the rest of the world.

THIS IDEA OF A CARBON DIVIDEND IS ATTRACTIVE BECAUSE IT COMBINES A POWERFUL NARRATIVE ABOUT WHY YOUNGER PEOPLE ARE DUE SOMETHING MORE FROM US WITH A LIMITED AMOUNT OF REDISTRIBUTION AND THE FACILITATION OF AN IMPORTANT CLIMATE FRIENDLY POLICY

6.6 CONCLUSION

This idea is attractive because it combines a powerful narrative about why younger people are due something more from us with a limited amount of redistribution and the facilitation of an important climate friendly policy (carbon taxing) which otherwise faces political difficulties.

It would not, in itself, play a large part in poverty reduction, though in combination with other policies it might contribute to a policy for a modest basic income.

Implementation is dependent to some extent on the level of future support for carbon pricing and on whether international obstacles to carbon pricing are resolved.

At the very least, we can say that these issues are going to have increasing prominence over the next decade as the effects of climate change become more apparent. The warming winds of change are blowing in this direction.

We believe this proposal warrants further development.

Before implementation one would need to undertake the following more detailed work:

- *Testing the popularity of the concept of providing compensation to younger adults for the damage done by climate change, to be funded from taxes on polluters;*
- *A more careful evaluation of the likely winners and losers from different possible mixes of carbon taxes and dividends;*
- *Evaluation of a wider range of age cut-offs – e.g. should the payment be made to children or to all those under 30, rather than just younger adults.*
- *A consideration as to whether the carbon tax rate proposed could be higher than we have supposed in this report.*

7. SUSTAINABLE GDP SHARE

The 'Sustainable GDP Share' is a very modest UBI explicitly linked to the level of sustainable growth in the economy.

Its development links together three ideas which are at first sight unrelated.

The first idea is that, while the versions of UBI we examined in Chapter 3 have much to be said for them, they face political challenges because of the number of 'losers', and we might therefore be better off with a proposal that is less ambitious.

The second has its origins in the Brexit supporter who responded to an economist describing the benefits to GDP of remaining in the EU. 'That's your bloody GDP. It is not ours'¹³⁸. We want as many people as possible to feel that it is 'our GDP'.

The third is that greenhouse gas emissions reductions would be helped if the 'net zero' project was more unified across government and that this could be helped along by a small change to one component of government's (and society's) common language – "GDP".

THE 'SUSTAINABLE
GDP SHARE' IS A VERY
MODEST UBI EXPLICITLY
LINKED TO THE LEVEL OF
SUSTAINABLE GROWTH
IN THE ECONOMY

138. Quoted in the Guardian 10 Jan 2017 <https://www.theguardian.com/commentisfree/2017/jan/10/blunt-heckler-economists-failing-us-booming-britain-gdp-london>

139. We assume also that the threshold for paying higher rate tax remains at the current level of £50,000, so no-one is moved into paying higher tax as a result of the measure.

140. See Chapter 3 note 49

7.1 A MODEST UBI

Our chapter on UBI evaluated some studies of schemes to pay a basic income of between £50 and £60 a week (approximately £2,500 - £3,000 a year). These delivered some advantages compared to increasing benefits under existing welfare arrangements though did not fully deliver on the 'promise' implicit in the UBI concept. In particular, they did not materially reduce the amount of means-testing. They also led to significant numbers of losers among middle income households and small numbers of losers among the worse off.

Reducing the value of the UBI obviously reduces the extent to which it, in itself, mitigates inequality. But something is better than nothing, and if we start with a payment of £20 a week (£1,000 a year) it does make it politically less challenging.

Paying 42 million working age adults £1,000 a year would cost £42bn. If we reduced personal allowances by £5,000¹³⁹ (so that anyone currently paying tax would lose in additional tax exactly what they gained) and count the entirety of the basic income toward means-tested benefits, we will need to raise approximately £9bn from increases on higher rate taxpayers – potentially a 7.5% increase in National Insurance charges above the current upper earnings limit¹⁴⁰.

This is similar to the costs of increasing Universal Credit by £1,000 for all adults receiving the benefit, though provides a different and less targeted pattern of benefits. To make the proposal match the benefit of a £1,000 increase in Universal Credit for poorer families, we could legislate that the income be disregarded from means tests (as is child benefit), which would raise the required cost increase by another £5bn, entailing some further increase in taxes or national insurance on higher earners. These costs would need modelling more carefully, but the broad parameters are likely to be as described.

7.2 “OUR GDP”

The UK political elite has been unsuccessful both at distributing the proceeds from the UK’s growth and at communicating the story of that growth. This proposal tries to tackle the second of these points as well as the first by expressing the UBI in relation to the total performance of the economy and by varying it in relation to how well the economy performs. As we noted in an earlier chapter, it is far easier to get people to engage with macroeconomic concepts if they can see how such concepts directly impact them.

The proposal might also provide a stronger narrative about why everyone is entitled to a basic income payment than a more traditional argument for a UBI. A successful, modern economy is dependent on many elements of our social and cultural fabric – particularly trust. This ‘software’ of the economy resides in each of us and while it is difficult to reward individually, it is important enough collectively that we should each see a benefit from it – something that is missed if we only reward people on the basis of the paid work they do.

This rationale for making a payment to everyone is less dependent on a contested proposition about the role of work in society and the relationship between work and income. It also does not rely on the expectation (which the UBI analysis demonstrates is undeliverable) that the distribution to which the citizen is entitled should in some way be enough to live on.

The intuition is more similar to that underlying the Citizens’ Wealth Fund – that, as citizens, we have a right to some share in the wealth that the country has created. But the mechanic for delivering this share of wealth is much simpler, more immediate and makes more sense given our position in the economic cycle.

FOR BETTER AND FOR WORSE 'GDP' IS A FINANCIAL MEASURE WHICH IS USED AS A SHORTHAND FOR HOW THE COUNTRY AND ITS GOVERNMENT ARE PERFORMING. FINANCIAL LANGUAGE IS IMPORTANT: "WHAT WE MEASURE, WE MANAGE"

7.3 A MORE SUSTAINABLE MEASURE FOR GOVERNMENT

For better and for worse 'GDP' is a financial measure which is used as a shorthand for how the country and its government are performing. Financial language is important because, given the diversity of government activities, finance is one of only a few disciplines which reaches across everything. Changes to financial language are significant; "what we measure we manage".

It has been observed that the Government needs to improve the coordination of its emissions reductions policies; there is not a great office of state driving the net zero agenda forwards, and many important decisions are taken without regard to climate change. Modifying a measure as important as GDP (which currently takes no account of damage to the environment or the degradation of natural resources) might have a positive

impact across the whole of government in this respect. It would also change public commentary on government performance in a helpful way from an environmental perspective.

Criticisms of GDP run much broader than issues related to environmental sustainability and there have been many attempts to develop something better¹⁴². Options include:

- *Replacing a single GDP measure with a more helpful dashboard - including perhaps measures of happiness or separate environmental measures;*
- *A comprehensive rewrite reflecting damage to natural resources and some form of natural resource accounting - the UK Government has just published a major report related to the subject¹⁴³;*
- *Adjusting the measure to include non-traded goods;*
- *Other changes to reflect the change in society from the 1930s manufacturing and agricultural economies for which the original concept of GDP was developed.*

The recommendation here is pragmatic. The climate emergency represents a challenge which requires urgent action across government and society and should be prioritised. Experience suggests that a single measure of national output is wanted, and that familiarity is important for there to be confidence and acceptance of whatever is proposed.

141. See e.g. Institute For Government (2020).

142. See Coyle (2014) for an explanation of the issues and of some attempted improvements.

143. Dasgupta (2021)

It must be possible to make reasonable estimates of any measure on a timely basis.

We propose a simple and relatively modest change to the GDP measure based on thinking in relation to the carbon tax. As we saw in the analysis of carbon dividends, economists have estimated how much it would cost either to replace greenhouse gases or to remove those gases which we do generate. We could therefore make a good, easy to calculate estimate of the amount of GDP which is sustainable from a climate change perspective by subtracting from GDP our total greenhouse gas emissions in a year multiplied by a carbon cost per unit of emissions.

The proposed modification would only make a small difference to total GDP. If we took a price of £75 per tonne¹⁴⁴ and applied it to the UK's current territorial greenhouse gas emissions of approximately 500 million tonnes a year, this would reduce GDP by just under 2%. However, given the hoped for trajectory of reducing emissions, the proportionate difference to annual GDP per capita growth (perhaps an additional 0.1% growth on a number which has recently been around 1%) will be more significant.

7.4 THE SUSTAINABLE GDP SHARE PROPOSAL

A scheme might work in the following way.

All working age adults would receive a monthly payment which was a proportion of the United Kingdom's¹⁴⁵ Sustainable GDP in the previous year, where Sustainable GDP is defined as in section 7.3 above. If the level of 'pot' funding the payment was set at 2% of GDP, payments would equal approximately £1,000 a head.

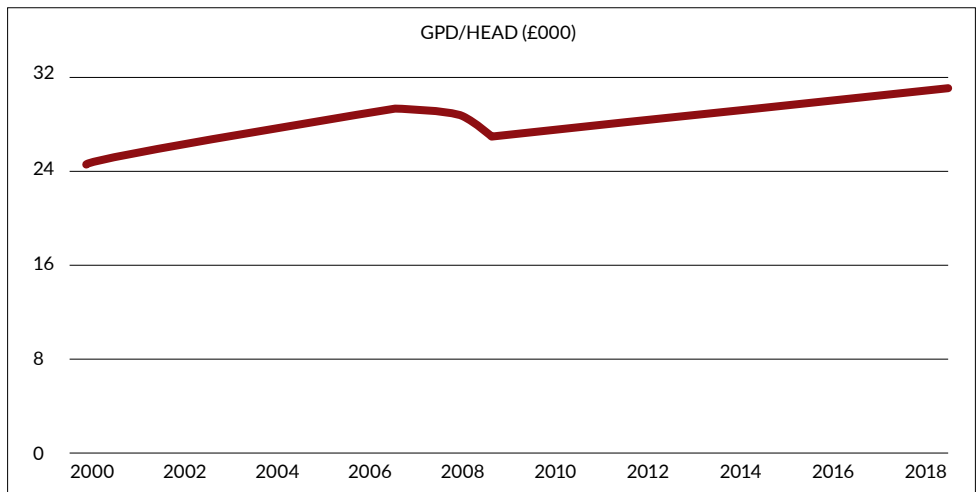
The payment would be made to working age adults because these are the people primarily delivering the output of the economy. We could, alternatively, design the distribution to also include pensioners and/or children, and including children would be likely to deliver a slightly more effective redistribution.

To enable households to budget, the payment would be made on the basis of an estimate of the prior year's GDP announced shortly before the beginning of the financial year.

In practice – if one leaves aside the extraordinary impact of Covid-19 – GDP does not fluctuate that much. The chart below shows estimated UK GDP per head over the last 20 years. Even in the financial crisis, GDP per head only fell 5%.

144. See note 108. This is the marginal cost per tonne rather than the average cost which is probably more appropriate. However, it might be better to have just one carbon price if this proposal is adopted alongside the recommendation in chapter 6. It would be one more 'near truth' to add to the many that already go into the construction of GDP.
145. It is likely to be better to do this at the level of the United Kingdom rather than the devolved governments – given quite significant variations in GDP per head across the country – though this choice is clearly dependent on one's view on the desirability of the UK remaining a unit.

Otherwise, it has grown slightly every year. So the payment ought to be stable enough that fluctuations do not adversely affect the budgeting for low income households. (Covid would have meant a reduction of course – but an event of such extremity has required the complete but temporary upending of all public finances and benefit systems so we should not worry too much about making schemes robust against this kind of eventuality.)



It might reasonably be pointed out that to the extent that the payment does vary year on year, it moves cyclically – which is not necessarily desirable. However, such short-term fluctuations will be small; the more important effect is the indexing of the payment to long term per capita growth in the economy (as adjusted for decarbonisation).

As discussed in section 7.1, the proposal would be financed by a £5,000 reduction in personal Income Tax allowance and an increase in the rate of National Insurance over the higher threshold.

7.5 SUSTAINABLE GDP SHARE CONCLUSION

While the most novel idea covered by this essay, the Sustainable GDP Share has a lot to be said for it.

It provides the benefits of a limited UBI at a more reasonable cost and, because it does not require rises in basic income tax rate and retains a much higher personal allowance, it almost avoids losers¹⁴⁶ outside the top income decile.

WHILE THE MOST NOVEL
IDEA COVERED BY THIS
ESSAY, THE SUSTAINABLE
GDP SHARE HAS A LOT TO BE
SAID FOR IT.
IT PROVIDES THE BENEFITS
OF A LIMITED UBI AT A MORE
REASONABLE COST AND IT
ALMOST AVOIDS LOSERS

It has an attractive narrative.

It develops and gives heft to a better measure at the heart of government and our national conversation.

We conclude that this proposal is worth further development.

In order to do this we need to:

- *check that the idea that everyone received a payment which was directly related to the size of Sustainable GDP was easy enough to communicate;*
- *spend more time defining the Sustainable GDP measure;*
- *undertake more detailed analysis and modelling of the net costs of the scheme and the impact on different types of households.*

146. Single adult households with taxable income over £9500 and certain combinations of Universal Credit entitlements would still lose small amounts. This is expected to be a very small number of households and the numbers involved would be further reduced if the proposal was introduced alongside the Direct Helicopter Money and Carbon Dividend proposals.

8. CONCLUSION

We don't think a Job Guarantee Fund works, though we support the simple and more conventional view that the state should be prepared to intervene to employ more people in areas such as care homes and schemes such as the Future Jobs Fund to bring people into the workforce.

A UBI improves distribution and provides the less well-off with a limited income that is not linked to employment or paid on the basis of need. However, a UBI of £60 a week is still relatively expensive and this may be difficult to justify politically given that at this level it does not deliver on some of the promised benefits, particularly in relation to reduced means-testing. We have not yet arrived at a UBI that we could recommend.

But this does not necessarily mean that our best approach to the impact of the weakened market position of labour on inequality is simply to increase benefits within the current framework – in effect reversing some of the cuts to benefits of the last decade - and accepting a slightly higher overall higher tax burden to finance this.

We think a combination of alternative policies - payments linked to 'Sustainable GDP', distribution of proceeds of a new carbon tax to younger adults and doing QE differently - could provide many of the benefits of a small UBI in a more politically and fiscally sustainable way.

A Citizens' Wealth Fund is a further candidate – though we have rejected it as we are doubtful as to whether it is politically deliverable.

These other policies are diverse, but they can be linked into an interesting broader narrative.

First: "Society is based on communal assets – the environment, the monetary infrastructure, our combined productivity. We all contribute to the development or, in cases, degradation of these assets, but we are not all equally rewarded for this. We should be".

Second – and closely related – a job is not the only thing that matters or the only legitimate way (apart from a return on private assets) of gaining an income. We are due a financial reward for our contribution to these social valuable assets. This takes these receipts beyond the stigma that is sometimes associated with welfare payments, has the advantage of being a fair reflection of value we provide and is probably less controversial than the underlying assertion behind UBI (that I have a right to a certain level of income regardless of whether I work).

Third, it is difficult to engage citizens in a dialogue about important technicalities of a modern economy.

They are too distant from it, and, in the near term, it affects them too remotely; it is just not worthwhile for them to engage. Increasing the payments and receipts they get directly related to how the key drivers of the economy function – sustainable GDP, the level of emissions, the money supply – makes such engagement more worthwhile.

This is an optimistic 'liberal' view. It takes the battle to the populists. It carries risks. Highlighting the cost of climate change might diminish the appetite to address it. Highlighting the scope to manage the money supply might create more of a pressure to undermine it. We should certainly evaluate these risks carefully before we proceed.

Fourth, given the importance of the climate emergency, it is important that at every step we consider the impact of policy on emissions. These alternative policies reflect this.

Fifth, we will have made some initial steps towards a tax and welfare system which is more appropriate to a society which permanently offers fewer 'good jobs' if that is where developments in technology, demographics and global trade lead us.

If taken together, these alternative policies also add up to something which replicates roughly half of the UBI proposal we considered in chapter 3. This is set out in the table below.

Table 8A Summary

| | Increased Universal Credit | Simple UBI | Direct Helicopter Money | Carbon Dividend | Sustainable GDP Share |
|--|----------------------------|---------------------|-------------------------|-----------------|-----------------------|
| Annual 'income' | None | £3,120 | £300 | £650 | £1,000 |
| Made to | | Working aged adults | Adults | Adults under 30 | Working aged adults |
| Benefit for individual on Universal Credit | £1,150 | £1,154 | £300 | £241 | £370 |
| Benefit for 2 adults and 2 children on UC | £2,300 | £2,309 | £600 | £481 | £740 |
| Required increase in income tax and NI (£bn) | 10 | 25-30 | 0 | 0 | 8-10 |
| Other tax increases | 0 | 0 | 0 | 8 | 0 |

This is an innovative programme. It is only a broad sketch, and as noted in the conclusions to each chapter there is more work to be done before one would implement these policies. But, in a country of 67 million people, a bit of R&D on issues of this importance is surely an investment worth making.

Bibliography

- A Advani, E Chamberlain, A Summers (2020) A Wealth Tax for the UK. Final report, Wealth Tax Commission
- T Ali (2013) The UK Future Jobs Fund: the Labour Party's Adoption of the Job Guarantee. Post Keynesian Working Party Study group Working paper 1106
- BEIS Annual Fuel Poverty Statistics in England 2020 (2018 data).
- J Burke, R Byrnes and S Fankhauser (2019) How to price carbon to reach net zero emissions, LSE
- J Burke, S Fankhauser, A Kazaglis, L Kesler, N Khandelwal, J Bolk, P O'Boyle, A Owen (2020) Distributional impacts of a carbon tax in the UK, Grantham Research Institute on Climate Research and the Environment, Vivid Economics, London School of Economics, University of Leeds
- S Carratini, M Carvalho & S Fankhauser (2017) How to make carbon taxes more acceptable, Grantham Research Institute
- S Carratini, M Carvalho & S Fankhauser (2018), 'Overcoming public resistance to carbon taxes, Wiley
- Charity Commission for England and Wales (2019), The value of the charity sector. An overview
- Climate Assembly UK (2020), The path to net zero; climate assembly UK full report.
- Climate Change Committee (2020), Sixth Carbon Budget
- N Cominetti, K Henehan, S Clarke (2019), Low Pay Britain 2019, The Resolution Foundation
- A Corlett (2021) Improving our understanding of UK poverty will require better data, The Resolution Foundation
- D Coyle (2014) GDP, A Brief but affectionate history, Princeton
- G Crocker (2020) Basic Income and Sovereign Money, Palgrave Macmillan.
- P Dasgupta (2021), The Economics of Biodiversity: The Dasgupta Review. London: HM Treasury
- Demos (2020), A people's budget; how the public would raise taxes
- Department of Work and Pensions (2012) Impacts and Costs and Benefits of the Future Jobs Fund
- Department of Work and Pensions (2020) Households Below Average Income 1994/95 to 2018/19
- E Dolan (2018) Why not a job guarantee? Hungary's Viktor Orban Loved the Idea. Here's How it Worked Out
- M A El-Erian (2016) The Only Game in town. Central banks, instability, and avoiding the next collapse, Yale University Press
- I Erturk (2016) Post-crisis central bank unconventional policies and financialised transmission channels, FEPS studies
- B Gershlick and A Charlesworth (2019), Health and Social Care Workforce: Priorities for a New Government, The Health Foundation
- C Goodhart and M Pradhan (2020), The Great Demographic Reversal, Aging Societies, Waning Inequality and an Inflation Revival, Palgrave MacMillan
- J Green (2021) Does carbon pricing reduce emissions: a review of ex post analysis, Environmental Research Letters (in press)
- P Gregg and R Layard (2009), A Job Guarantee, Centre for Economic Performance, London School of Economics
- K Handscombe and L Judge (2020) Caught in a Covid trap, The Resolution Foundation
- D Hirsch (2015), Could a Citizen's Income Work? Joseph Rowntree Foundation
- House of Commons Library (2020), Briefing paper Income inequality in the UK
- A Hutchison (2018) The job guarantee is just workfare isn't it <http://www.matchesinthedark.uk/the-job-guarantee-is-just-workfare-isnt-it>
- IFS (February 2020) A look ahead to the March 2020 budget
- IFS (2020), The outlook for the public finances under the long shadow of Covid 2019
- IFS (May 2020) Briefing note BN299 Covid-19 and the career prospects of young people
- IFS (October 2020), Green Budget

- Institute For Government (2020) Net Zero. How government can meet its climate target
- M Jaccard (2020) The Citizen's Guide to Climate Success, Cambridge
- Joseph Rowntree Foundation (2020a) UK Poverty 2019/20
- Joseph Rowntree Foundation (2020b) Destitution in the UK 2020
- S Kelton (2020) The Deficit Myth, John Murray
- A King and I Crewe (2013) The Blunders of Our Governments, One World
- M Kumhof, J Allen, W Bateman, R Lastro, S Gleeson, S Omarova (2020), Central Bank Money: Liability, Asset or Equity of the Nation? Cornell Law School
- S Lansley, D McCann, S Schifferes (2018) Remodelling Capitalism; How social Wealth Funds could transform Britain, Friends Provident Foundation
- S Lansley and H Reed (2016) Universal Basic Income, an idea whose time has come, Compass
- S Lansley and H Reed (2019) Basic Income for All: from desirability to feasibility, Compass
- M Leroutier (2019) Carbon pricing and power sector decarbonisation; evidence from the UK
- A Lieven (2020) Climate change and the Nation State, Allen Lane
- J Lilliestam, A Patt and G Bersalli (2020) The effect of carbon pricing on technological change for full energy decarbonisation: a review of empirical ex-post evidence, Wiley
- M Lonergan & M Blyth (2020) Angrynomics, Agenda.
- A Manning (2020) The Elusive Employment Effect of the Minimum Wage
- A Marcu, M Mehling, A Cosbey (2020) Border Carbon Adjustments in the EU, Issues and Options, ERCST
- J Martin (1998) What Works among Active Labour Market Policies; Evidence from OECD Countries Experience, Labour Market & Social Policy - OECD
- L Martinelli (2017) The Fiscal and Distributional Implications of Alternative Universal Basic Income schemes in the UK, IPR Working Paper
- B Mitchell (2013) What is a job guarantee? <http://bilbo.economicoutlook.net/blog/?p=23719>
- J Mirrlees and others (2011), Tax by Design, the Mirrlees Review, IFS
- NCVO (2020) UK Civil Society Almanac
- New Policy Institute (2015) Poverty among young people in the UK
- Office of Budget Responsibility (2020) Fiscal outlook March 2020
- Ofgem (2018) Technical annex: modelling the cost effectiveness of selected decarbonisation policies
- P Orszag, R Rubin and J Stiglitz (2021) Fiscal Resiliency in a Deeply Uncertain World; the role of semi-autonomous discretion, Peterson Institute for International Economics
- A Painter, J Thorold and J Cooke (2018) Pathways to Universal Basic Income. The case for a Basic Opportunity fund, Royal Society for Arts
- J Penrose (2020) Time to think big; a UK sovereign wealth fund, Reform Perspectives
- S Perrett (2020) Why did other wealth taxes fail, and is this time different? Wealth Tax Commission Evidence Paper 6
- I Preston, V White, J Browne, S Dresner, P Ekins, I Hamilton (2013) Designing Carbon Taxation to Protect Low-income households Joseph Rowntree Foundation
- L Randall Wray, F Dantas, S Fullwiler, P R Tcherneva, S Kelton (2018), Public Service Employment; A path to full employment, Levy Economics Institute of Bard College
- C Roberts & M Lawrence (2018) Our Common Wealth, A Citizens' Wealth Fund for the UK, IPPR
- M Rooney, J Burke, M Taylor, W Lightfoot (2018) 'The Future of Carbon Pricing; Implementing an independent carbon tax with dividends in the UK' Policy Exchange
- E Saez and G Zucman (2019) The triumph of injustice; how the rich dodge taxes and how to make them pay, Norton
- Jean-Michel Salles (2019), Valuing the loss and damage from climate change: a review of some current issues. Journal international de bioéthique et d'éthique des sciences, Eska, 2019, 30 (2), pp.75-94.

M Sandbu, (2020) The Economics of Belonging, Princeton

R Skidelsky (2020), The case for a guaranteed job

N Stern [and many others] (2006), The Economics of Climate Change (the Stern Review) Cambridge

J Stiglitz, N Stern (2017), Report of the High Level commission on Carbon Pricing and Competitiveness Carbon Pricing Leadership Coalition

A Stirling and S Arnold (2019) Nothing Personal; replacing the personal allowance with a weekly national allowance New Economics Foundation

P Tcherneva (2020)
The case for a job guarantee, Polity

E Thompson, A Jitendra and S Rabindrakumar (2019) #5weekstoolong: Why we need to end the wait for Universal Credit, The Trussell Trust

N Timothy (2020) Remaking One Nation, Polity

R S Tol,(2018). The Economic Impacts of Climate Change. Review of Environmental Economics and Policy, 12(1), 4-25

M Torry (2015), Two Feasible Ways to implement a revenue neutral Citizen's Income Scheme Euromod Working Paper EM06/15

M Torry (2020), Evaluation of a Recovery Basic Income and a of a sustainable revenue neutral Citizen's Basic Income, Euromod Working Paper EM07/20

M Torry (2021), Three Income Maintenance Options for 2021

A Turner (2013) Debt, Money and Mephistopheles, How Do We Get Out of This Mess? Group of 30

UK Civil Society Almanac (2020)

P Van Parijjs (2004) Basic Income; a simple and powerful idea for the twenty first century Politics and Society 32(1)

World Bank (2020) State and trends of Carbon pricing

Zero Carbon Commission (2020) White paper: How carbon pricing can help Britain achieve net zero by 2050.

ABOUT THE AUTHOR

Having been a successful Chief Financial Officer, Kevin has more recently turned to policy analysis.

His areas of interest include climate change, taxation policy and universal basic income.



MONEY FOR NOTHING?

A review of Job Guarantee Programmes, Universal Basic Income and other radical schemes for redistribution

ABOUT RADIX

RADIX is a non-aligned think tank for the radical centre. We welcome people from all parties and none. We challenge established notions and work to re-imagine our societies. We focus our efforts on policy initiatives that can drive towards system change rather than putting sticking plasters on the existing system. Our goals are to revitalize our liberal democracies, re-define capitalism, and re-build cohesive communities and societies. We want all citizens to live securely, with dignity, be active participants in society, and be free to pursue their own interpretation of the good life.

ABOUT RADIX PUBLICATIONS

Radix exists to challenge established notions and to re-imagine societies. As such, we welcome the opportunity to publish original papers which promote political, economic and social system change. The opinions expressed within any Radix papers are those of the named authors and publication does not imply agreement by the Radix Group Ltd or any of its Trustees with specific conclusions or recommendations. We hope nevertheless that all our publications provoke more informative, intelligent and thoughtful debate.

©Radix Group Ltd. The moral right of Kevin Langford to be identified as the author of this work is asserted in accordance with the Copyright, Designs and Patents Act of 1988. Some rights reserved. No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical or photocopying, recording or otherwise for commercial purposes without the prior permission of the publisher. A CIP catalogue for this publication is available from the British Library.

ISBN (ePub) 978-1-912880-34-8

Radix Brand and Layout:
Mark Huddleston - talktohuddy.com

CONTACT US

RADIX,
14 Sandringham St,
York, YO10 4BA
hello@radixuk.org

Published in April 2021
by Radix Group Ltd
www.radixuk.org



“THE DIFFICULTY LIES NOT
SO MUCH IN DEVELOPING
NEW IDEAS AS IN ESCAPING
FROM OLD ONES”

JOHN MAYNARD KEYNES

RADIX



THINK
TANK
FOR THE
RADICAL
CENTRE

www.radixuk.org

hello@radixuk.org

14 Sandringham St

York

YO10 4BA

Registered Education Charity
1167393