

Paying for Basic Income

Money Financing and Sovereign Money

Basic Income Conversation Seminar

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Assume case for basic income proved on grounds of

- ▶ **Social justice**
 - ▶ addressing inequality, precarity
 - ▶ sharing inherited infrastructure and technology
- ▶ **Best welfare system**
 - ▶ less intrusive, lower cost, higher uptake
- ▶ **Macroeconomic demand**
 - ▶ meeting income need as wage reduces vs output
 - ▶ avoiding debt, crisis and austerity
- ▶ **Ecology**
 - ▶ breaking link between income and more output, resource depletion, and pollution
- ▶ **Human flourishing**
 - ▶ enabling choice of lifestyle

Therefore question of how to fund UBI

- ▶ UBI either
 - ▶ too small to be meaningful
 - ▶ too large to be affordable
- ▶ Funding options

Funding option	Comment
Revenue neutral = higher tax/replace other benefits	Only change = unconditionality = less intrusion?
Wealth tax	Difficult to tax range of assets continuously
Land tax	Most profitable FANG companies use little land
Eco-tax	Eco-tax should self cancel
Sovereign fund investment	Requires one of above over time
Sovereign money creation	A heterodox paradigm change

The financial state we're in - debt everywhere

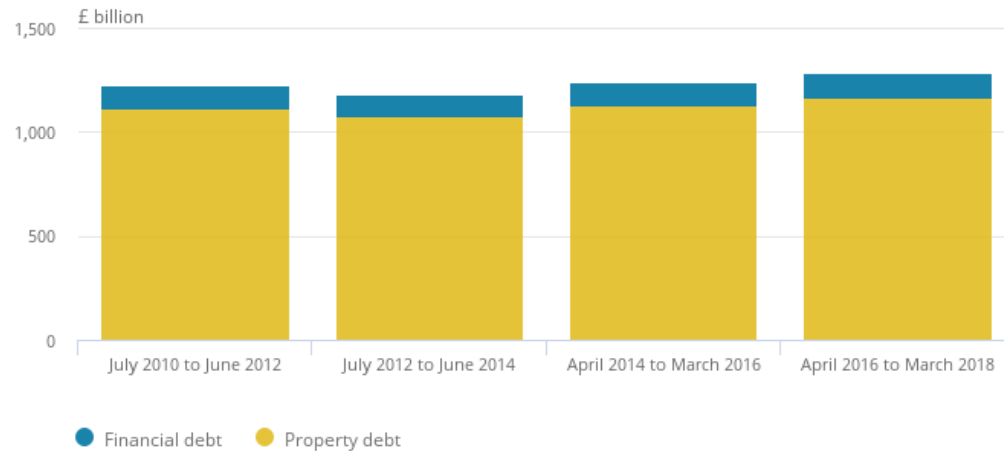
**UK household debt (2018) £1.28tn
= 61% GDP**

= £1.16tn property, £119bn financial

£12bn increase 14-16 to 16-18 = £6bn HP, £7bn student loans

Figure 1: Total household debt has been increasing since the period July 2012 to June 2014, after adjusting for inflation

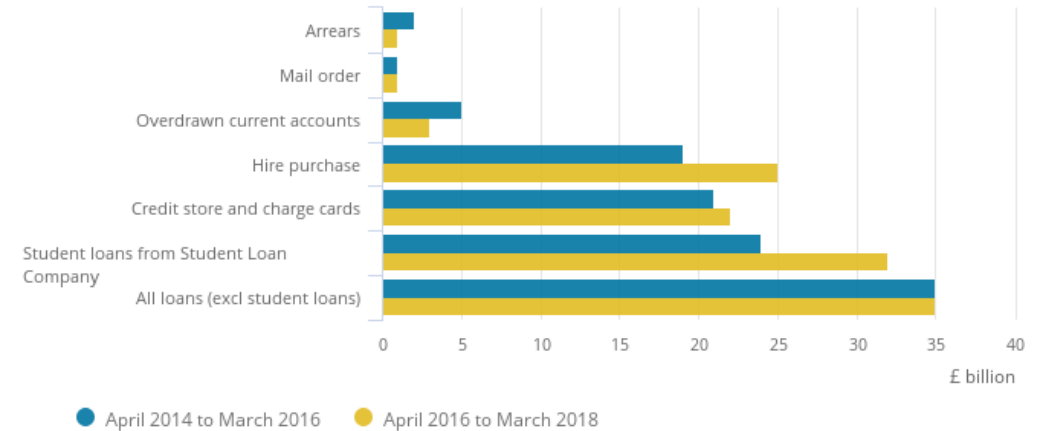
Total household debt by type, Great Britain, July 2010 to March 2018



Source: Office for National Statistics – Wealth and Assets Survey

Figure 4: Total debt increased in April 2016 to March 2018 for loans, hire purchase and credit, store and charge card debt

Total financial debt by type of borrowing, Great Britain, April 2014 to March 2018

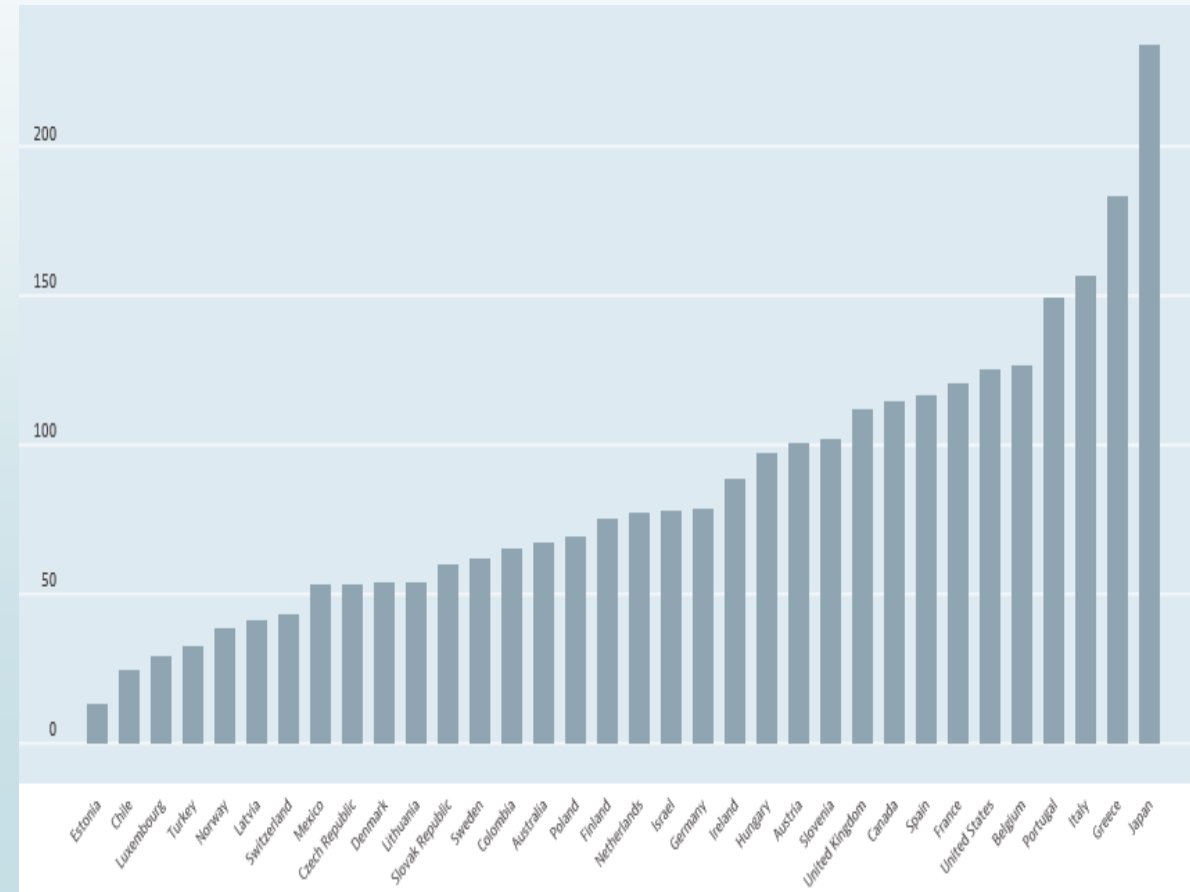
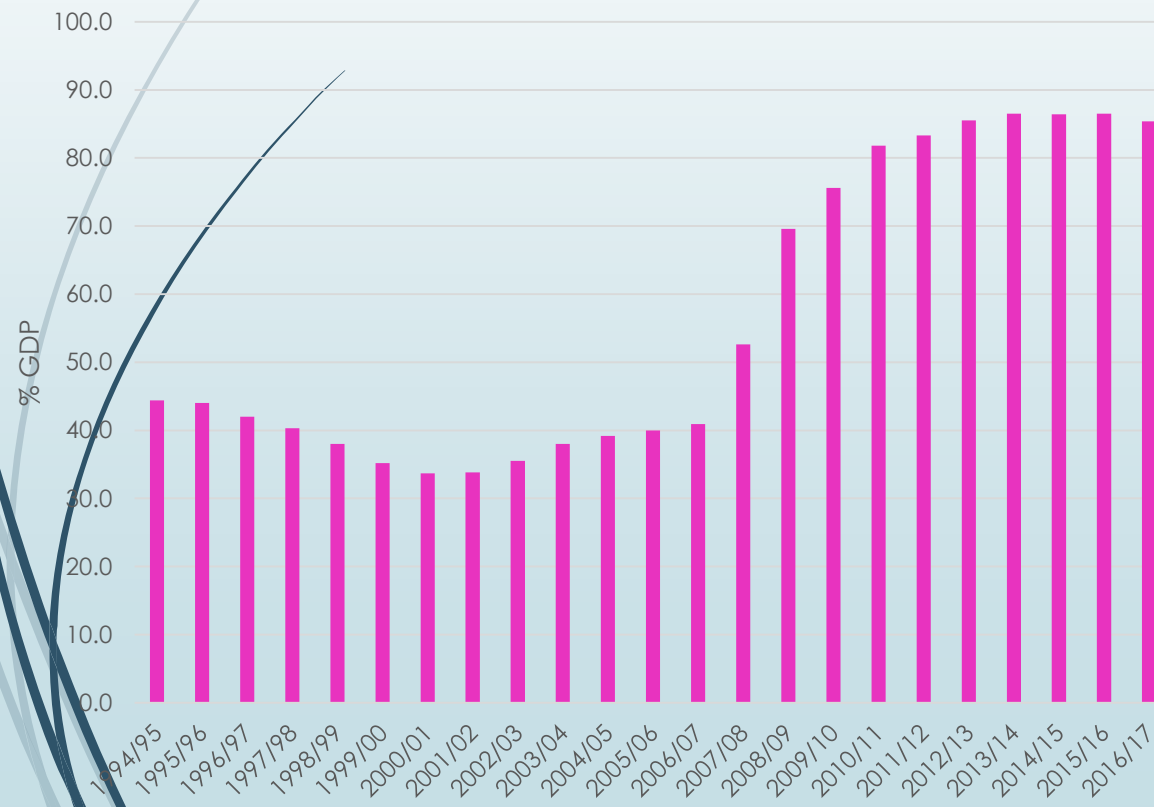


Source: Office for National Statistics – Wealth and Assets Survey

The financial state we're in - debt everywhere

UK national debt = 85% GDP, Japan national debt = 234% GDP!

UK debt as %age GDP 1994-2017



The system is awash with debt

UK household debt = 61% GDP + national debt = 85% GDP total 146% GDP!

this is increasing due to Covid-19

- ▶ Household debt and government debt constrain expenditure
- ▶ Hence poverty (including in-work poverty) and austerity

Therefore, consider as illustrative steps towards radical heterodox funding -

- ▶ Replace household debt with basic income funded by sovereign money
- ▶ Replace government debt with sovereign money and restore austerity cuts

We need

- to rethink the definition of money in the economy
- to take debt as constraint out of the system

From

- **Financial orthodoxy**

- money has inherent value from gold reserves, or sale of government bonds which create debt
- money is real, cannot be created or destroyed
- government budgets must balance
- household and government expenditure is debt financed and therefore limited by debt
- **affordability is defined by government financial reserves**

To

- **Heterodox theory of money = SOVEREIGN MONEY**

- money has no inherent value (there is a magic money tree), but derives its value from output GDP
- sovereign state can issue money vs GDP without creating debt
- sovereign money is needed in high technology economies
- household and government expenditure is funded by sovereign money
- **affordability is defined by real resources and productive potential**

Defining sovereign money

Origin	Objective	Definitions	Author
MMT	Fund job guarantee programme, Green New Deal, Medicare for all	<ul style="list-style-type: none"> • Money=debt • Debt balanced by other sectoral surpluses • Zero interest rate, so no financing cost 	Stephanie Kelton
Bank money	No commercial bank money creation	<ul style="list-style-type: none"> • Only central bank creates money 	Joseph Huber
Basic income	Fully fund aggregate demand to avoid debt, crisis and austerity	<ul style="list-style-type: none"> • Central bank money does not create debt • Central + commercial banks create money 	Geoff Crocker

Basic income funded by sovereign money – a consistent proposal

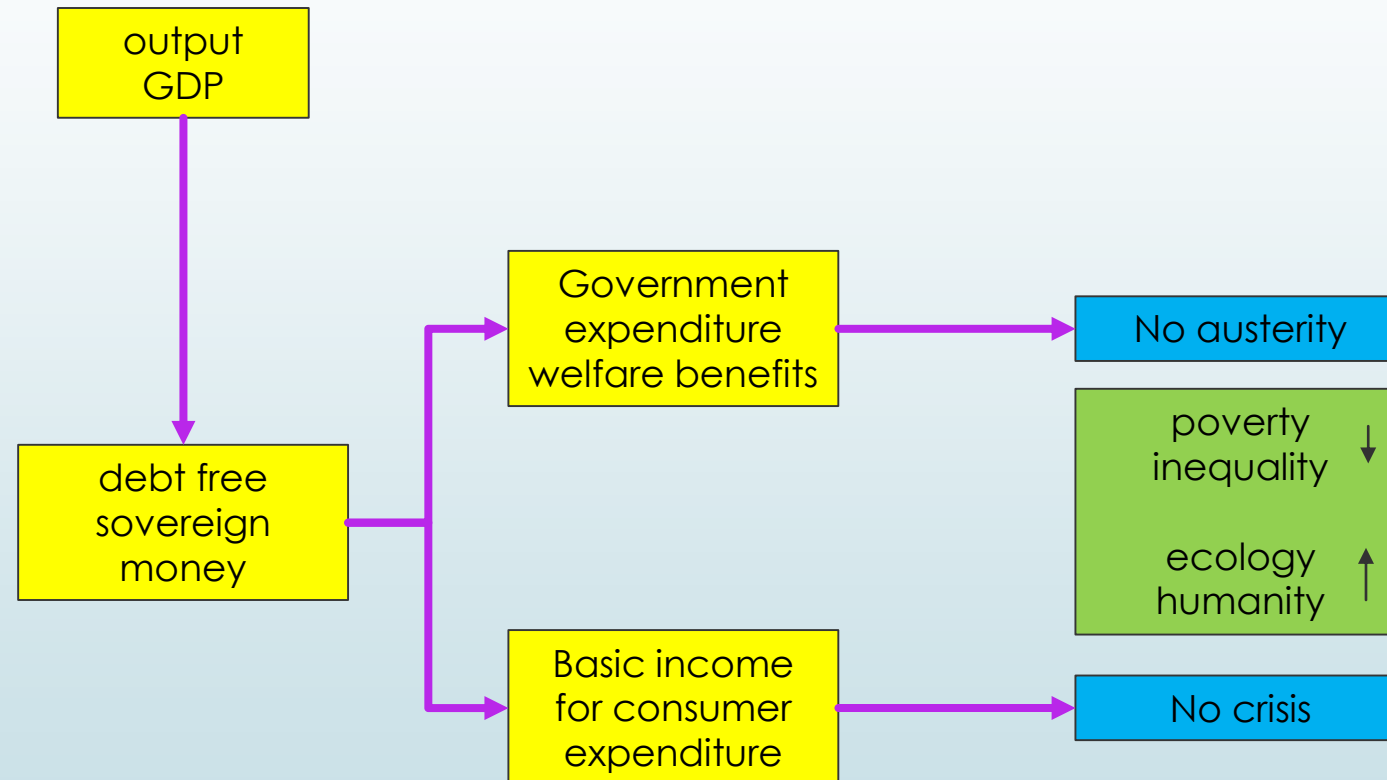
► Thought experiment

- plug machine into earth for total GDP, ie no wages
- distribute output via annual voucher issue
- 100% GDP = basic income
- 100% GDP = sovereign money, debt free like coinage

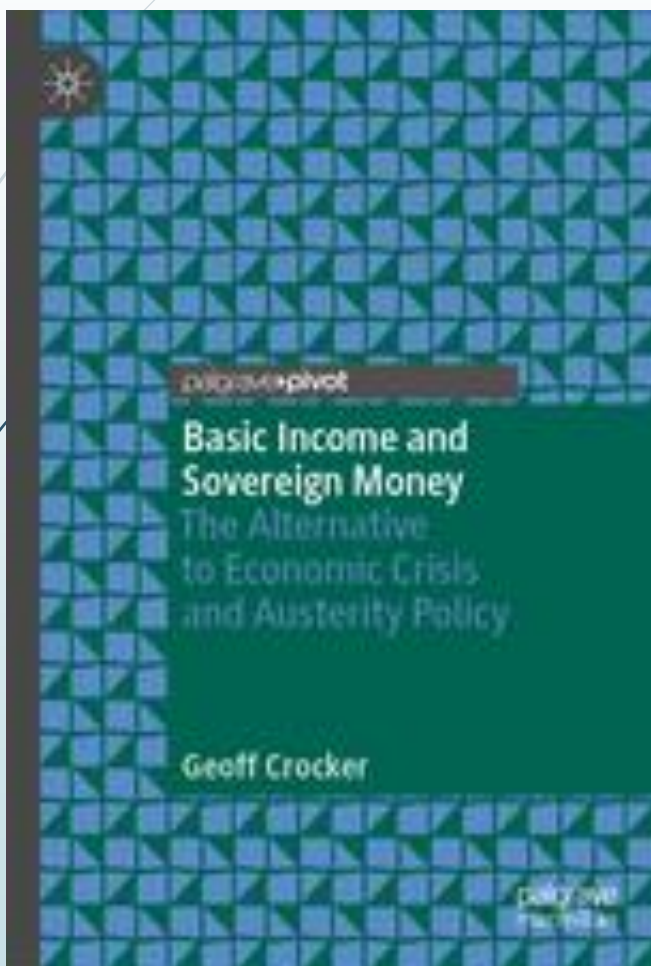
► Nuanced argument

- in high tech economies
- unearned (or **basic**) **income essential** component of demand
- **financial deficit inevitable or a surrogate for missing debt free sovereign money**
- **sovereign money is the consistent and best funding for basic income**

Basic income and sovereign money policy - the corrective for economic crisis and austerity policy



Basic income and sovereign money - the alternative to economic crisis and austerity policy



"This is a radical, thought-provoking book, which brings together debates that are often kept separate about basic income and 'sovereign money'. You might not agree with all of it, but it makes big arguments and does so with constructive intent: that of proposing alternative ways of organising our economy and welfare states."

Nick Pearce, Director of The Institute for Policy Research, University of Bath, UK

"Though I have criticized modern money theory (MMT) for being too facile regarding the consequences of money financed deficits, I welcome this book's advocacy of a universal basic income. MMT proponents have focused on the problem of employment. Geoff Crocker wants to shift the focus to basic income, and I believe he is right. We are in an era of transition. Employment was the fundamental problem of the 20th century. Income distribution will be the fundamental problem of the 21st century. We must begin transitioning the policy discourse now. In coming decades we will need both employment and basic income policy. It is good to have MMT advocates on board."

Thomas Palley, independent economist, Washington, DC, USA

"Geoff Crocker's book is a very stimulating and provoking contribution to the discussion of how to define, identify, and finance basic income. It addresses very clearly the societal issue of a monetary basic income funding which will excite the discussion beside well --known tax proposals, and establishes the discussion on integrating basic income directly into crisis prevention and crisis solution."

Bernhard Neumärker, Götz Werner Professor of Economic Policy & Constitutional Economic Theory and Head of Freiburg Institute for Basic Income Studies (FRIBIS) at the University of Freiburg