

FOUNDATIONS AND TWO MODELS OF GUARANTEED BASIC INCOME

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1. *What is Guaranteed Basic Income (GBI)?*

I understand basic income as an income that:

1. Is paid to all members of a society
2. Is unconditional (no needs tested, not based on previous employment, no willingness to work, no prohibition of work)
3. Is paid on an individual level
4. Secures existence (not below the subsistence level)
5. Includes health insurance
6. And has the effect of the top-down redistribution of wealth

Basic income doesn't substitute, but modernize the welfare state. Providing a public infrastructure – in the areas of education, health, care, child care, transport, energy, habitation – shall remain an important function of the state.

2. *Why Guaranteed Basic Income?*

- *Right to Social Security, Enablement of Self-Respect and Self-Determination:* Basic income is a redistribution mechanism that realizes and guarantees the human right to social security (Article 22 of the Universal Declaration of Human Rights). It enables self-respect: Degrading jobs can be refused based on one's own decision. People without wage labour no longer have to become applicants in a coercive bureaucratic system (employment office). With basic income human beings can organize their lives in more flexible ways – self-determined and beyond the requests of corporations.
- *Compensation for the Utilization of External Collective Resources:* There is a high degree of resources in society that has not been produced by corporations, but that is used by them for free in order to achieve profit. Such external resources are e.g. natural resources, land, inherited property, labour forces, reproductive labour, social labour, knowledge, and technological progress. Those who consume these resources for free in order to gain economic profit owe something to society, i. e. all individu-

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als, they should pay back something to society, e.g. in the form of a basic income tax for corporations (cf. Fuchs 2006).

- *Compensation for the Effects of Automation*: With the help of automation and technification corporations cut labour costs and gain productivity and profit, they are able to produce more profit and commodities in less time with less labour effort. In contemporary society, rising unemployment rates are a direct consequence of technological rationalization. A basic income that is financed by company taxation is a compensation for the disadvantages caused to society by the advantages gained by corporations.
- *Higher Independence of Reproductive Workers*: Capital accumulation is not only based on the exploitation of wage labour, but also on the exploitation of humans who work unpaid or very low paid in areas such as households, care, emotional intelligence, education, parenting, health, etc. In contemporary societies, such works are still mainly conducted by women. Basic income makes reproductive workers more independent from waged workers.
- *Advancement of Self-Development*: Economic development is based on the evolution of personal skills. Basic incomes give humans more time for self-development or what could be termed self-work.
- *Securing Imperilled Jobs*: Basic income guarantees the continued existence of activities with no or low economic productivity that don't yield marketable commodities and can't exist under market conditions. Examples are civil society activities, welfare work, art, or philosophy.
- *Immanent Economic Advantages*: Basic income strengthens purchasing power, if higher demand is generated, more goods have to be produced, the need for new jobs and economic activities could emerge. Basic income supports individual initiative and responsibility in the economy because more free time can enhance individual awareness.
- *Acknowledgement of the Networking of Labour and the Economy*: In contemporary information societies all activities are networked and depend on each other. It is not exactly clear and measurable where economic value is generated. Hence also individual performance in value production can't be measured and expressed in a specific wage rate.
- *Freedom and Self-Determination for All*: Human life shall be something else than the compulsory selling of labour power, stress, and the struggle for economic survival. Dull economic compulsion manifests itself today as the compulsion for securing existence by estranged and heteronomous wage labour.
- *Elimination of Poverty and Economic Risks*: Contemporary society is a high-risk society, in which more and more people independent of their background are confronted with the risks of poverty, social degradation,

and precarious living and working conditions. Basic income eliminates these risks.

- *Integrative Democracy and Advancement of Society's Capacity for Reflection*: A democratic society needs members who are critical, politically aware, and politically and socially committed. Enough free time is one precondition for such a situation. Basic income can provide a material and temporal foundation for the emergence of new spaces for critical reflection.
- *Advancement of Alternative Economies*: Basic income uncouples wage labour and existence. Other forms of existence become possible. Hence new forms of economic self-organization and co-operative production could emerge if people are willing to do so.
- *Empowerment of Employees*: Basic income enables employees to refuse precarious and low-paid jobs. This will empower unions and employees in demanding higher wages and better working conditions from employers.
- *Minimum Wage*: Basic income can be organized with the help of models that allow the definition of minimum wages.
- *Fair taxation*: For financing basic income tax reforms are needed. This brings up the question of who shall pay for financing basic income. In many countries the current tax systems favour corporations and the rich and income inequity is growing. The introduction of basic income is an opportunity for tackling this problem.
- *Modernization of Public Administration*: Basic income allows cutting red tape.

3. Two Scenario Models for Guaranteed Basic Income in Austria

The existing Austrian income and wage tax model is based on the following tax brackets and formulas:

Gross Income Less Social Security Contribution, in €	Income Tax Formula, in €	Average Tax Rate	Marginal Tax Rate
0-10000	0	0%	
10 000 – 25 000	$(\text{Income} - 10\,000) * 5\,750 / 15\,000$		38,33%
25 000	5 750	23%	
25 000 – 51 000	$5750 + (\text{Income} - 25\,000) * 11335 / 26\,000$		43,596%
51 000	17 085		
> 51 000	$17\,085 + (\text{Income} - 51\,000) * 0.5$	33,5%	50%

A guaranteed basic income provides a basic existence for those who have no paid work (such as the unemployed, welfare recipients, houseworkers, etc). It increases low wages and decreases upper wages. Hence its function is providing a basic existence for all and installing a mechanism for the top-down redistribution of wealth. For achieving this a change of the income

and wage tax models is needed. According to the new formulas the income tax can also be negative in the case of no or low income, i.e. money is paid to the affected person by the state. For each person paying income taxes basic income is implemented as tax-deductible amount.

Here two models are presented, but the number of potential models is unlimited.

Model A

Gross Income Less Social Security Contribution, in €	Income Tax Formula, in €	Marginal Tax Rate
0	-12 000	
0-4000	Income*1534/4000-12000	38%
4000-22000	(Income-4000)*11700/18000+1534-12000	65%
> 22 000	(Income-22000)*0,8+1534+11700-12000	80%

Model B

Gross Income Less Social Security Contribution, in €	Income Tax Formula, in €	Marginal Tax Rate
0	-10.000	
> 0-4.000	Income * 1.600 / 4.000 - 10.000	40 %
> 4.000-22.000	(Income - 4.000) * 9.000 / 18.000 + 1.600 - 10.000	50 %
> 22.000	(Income - 22.000) * 0,6 + 1.600 + 9.000 - 10.000	60 %

In model A each individual receives a basic income of 12 000 € per year, in model B 10 000 € per year. For the unemployed, welfare recipients, and people without income, basic income functions as basic security, for employees as minimum wage. Nobody has to live on less than the basic income, nobody is living in poverty or under poverty risks – the poverty risk level was located at 10 182 € p.a. or 848 € per month in Austria in 2006, given one defines it at 60% of the median net income level.

The next table shows how net incomes change in the two models A and B. In model A net incomes below or equal to approximately 1,500 € (approx. 30,000 € gross per year, prior to deduction of social security benefit) have a higher income than today. Low and medium incomes experience a tax relief. Tax burdens are put on higher incomes (above approx. 2,250 € gross per month). The effect is that the lower 75% of income recipients have higher incomes, whereas the upper 25% lower ones. In model B net incomes below or equal to approximately 1 800 € (approx. 39,000 € gross per year) have a higher income than today. The effect is that the lower 90% of income recipients have higher incomes, the upper 10% lower ones.

4. Financing Basic Income and Why Redistribution is Needed

If such models are realized, the question how they can be financed needs to be answered. The next two tables are based on the wage and income tax sta-

<i>Gross income p.a.</i>	<i>Social security contribution p.a.</i>	<i>Gross p.a. – Social security</i>	<i>Income tax p.a. today</i>	<i>Net income p.a. today</i>	<i>Net income per month today (14 months)</i>	<i>Net income p.a. Model A</i>	<i>Net income per month Model A (14 months)</i>	<i>Net income p.a. Model B</i>	<i>Net income per month Model B (14 months)</i>
0	0,00	0,00	0	0,00	0,00	12000,00	857,14	10000,00	714,29
4200	750,00	3450,00	0	3450,00	246,43	14126,93	1009,07	12070,00	862,14
7000	1250,00	5750,00	0	5750,00	410,71	15078,50	1077,04	13275,00	948,21
8400	1500,00	6900,00	0	6900,00	492,86	15481,00	1105,79	13850,00	989,29
9800	1750,00	8050,00	0	8050,00	575,00	15883,50	1134,54	14425,00	1030,36
11200	2000,00	9200,00	0	9200,00	657,14	16286,00	1163,29	15000,00	1071,43
12600	2250,00	10350,00	0	10350,00	739,29	16688,50	1192,04	15575,00	1112,50
14000	2500,00	11500,00	0	11500,00	821,43	17091,00	1220,79	16150,00	1153,57
16800	3000,00	13800,00	356,76	13443,24	960,23	17896,00	1278,29	17300,00	1235,71
19600	3500,00	16100,00	1131,12	14968,88	1069,21	18701,00	1335,79	18450,00	1317,86
22400	4000,00	18400,00	1905,48	16494,52	1178,18	19506,00	1393,29	19600,00	1400,00
25200	4500,00	20700,00	2679,72	18020,28	1287,16	20311,00	1450,79	20750,00	1482,14
28000	5000,00	23000,00	3454,08	19545,92	1396,14	20966,00	1497,57	21800,00	1557,14
30800	5500,00	25300,00	4228,44	21071,56	1505,11	21426,00	1530,43	22720,00	1622,86
33600	6000,00	27600,00	5002,68	22597,32	1614,09	21886,00	1563,29	23640,00	1688,57
36400	6500,00	29900,00	5797,68	24102,32	1721,59	22346,00	1596,14	24560,00	1754,29
39200	7000,00	32200,00	6675,6	25524,40	1823,17	22806,00	1629,00	25480,00	1820,00
42000	7500,00	34500,00	7553,4	26946,60	1924,76	23266,00	1661,86	26400,00	1885,71
44800	8000,00	36800,00	8431,32	28368,68	2026,33	23726,00	1694,71	27320,00	1951,43
49000	8750,00	40250,00	9748,2	30501,80	2178,70	24416,00	1744,00	28700,00	2050,00
56000	9375,00	46625,00	12183,42	34441,58	2460,11	25691,00	1835,07	31250,00	2232,14
63000	9375,00	53625,00	14859,18	38765,82	2768,99	27091,00	1935,07	34050,00	2432,14
70000	9375,00	60625,00	17580,3	43044,70	3074,62	28491,00	2035,07	36850,00	2632,14
77000	9375,00	67625,00	20640,3	46984,70	3356,05	29891,00	2135,07	39650,00	2832,14
84000	9375,00	74625,00	23700,3	50924,70	3637,48	31291,00	2235,07	42450,00	3032,14
91000	9375,00	81625,00	26760,3	54864,70	3918,91	32691,00	2335,07	45250,00	3232,14
98000	9375,00	88625,00	29820,3	58804,70	4200,34	34091,00	2435,07	48050,00	3432,14
112000	9375,00	102625,00	35940,3	66684,70	4763,19	36891,00	2635,07	53650,00	3832,14
126000	9375,00	116625,00	42060,3	74564,70	5326,05	39691,00	2835,07	59250,00	4232,14
140000	9375,00	130625,00	48180,3	82444,70	5888,91	42491,00	3035,07	64850,00	4632,14
210000	9375,00	200625,00	78780,3	121844,70	8703,19	56491,00	4035,07	92850,00	6632,14

tistics 2002 and show approximations for the total costs (source: Statistik Austria Jahrbuch 2006).



Model A

Annual Income Group	Number of Tax Payers in Income (Mio.)	Total Income (Mio. Euro)	Total Taxes Paid (Mio. Euro)	Average Gross Income Per Capita	Income Tax Per Capita (2006)	Average Net Income (2006)	Average Income Tax Model A	Total Income Tax Based on Model A (in Mio Euro)
<0	40876	-812	0	0	0	0	-12000	-490,51
0-2000	433227	384	1	886,37 €	0	886	-11660,08	-5051,46
2000-4000	262349	786	3	2.996,01 €	0	2996	-10851,03	-2846,76
4000-6000	284040	1425	3	5.016,90 €	0	5017	-9805,02	-2785,02
6000-8000	323480	2269	3	7.014,34 €	0	7014	-8506,68	-2751,74
8000-10000	408590	3656	13	8.947,85 €	0	8948	-7249,90	-2962,24
10000-12000	394268	4341	65	11.010,28 €	387,27	10623	-5909,32	-2329,85
12000-15000	575666	7761	346	13.481,78 €	1334,68	12147	-4302,84	-2477,00
15000-20000	970375	16961	1504	17.478,81 €	2866,88	14612	-1704,77	-1654,27
20000-25000	792726	17721	2254	22.354,51 €	4735,90	17619	1517,61	1203,05
25000-30000	517904	14127	2184	27.277,26 €	6742,80	20534	5455,81	2825,58
30000-40000	502100	17195	3298	34.246,17 €	9780,97	24465	11030,93	5538,63
40000-50000	215059	9548	2212	44.397,12 €	14206,40	30191	19151,70	4118,74
50000-70000	173944	10125	2661	58208,39	20689,20	37519	30200,71	5253,23
70000-100000	79715	6528	1977	81891,74	32530,87	49361	49147,39	3917,78
100000-150000	34642	4132	1398	119277,18	51223,59	68054	79055,74	2738,65
150000-200000	11041	1890	695	171180,15	77175,08	94005	120578,12	1331,30
>200000	12461	4605	1817	369.553,01 €	176361,51	193192	279276,41	3480,06
Total	6032463	20434						

<i>Income Tax</i>	
<i>Gains:</i>	30407,04
<i>Income Tax</i>	
<i>Expenditures:</i>	-23348,85
<i>Total</i>	7058,19

Model B

<i>Annual Income</i>	Number of Tax Payers in Income Group	Total Income (Mio. €)	Total Taxes Paid 2002 (Mio. €)	Average Gross Income Per Capita	Income Tax Per Capita (2006)	Average Income Tax Model B	Total Income Tax Based on Model B (in Mio. €)
<0	40876	-812	0	0	0	-10000	-408.76
0-2000	433227	384	1	886,37 €	0	-9645.45	-4178.67
2000-4000	262349	786	3	2.996,01 €	0	-8801.60	-2309.09
4000-6000	284040	1425	3	5.016,90 €	0	-7891.55	-2241.52
6000-8000	323480	2269	3	7.014,34 €	0	-6892.83	-2229.69
8000-10000	408590	3656	13	8.947,85 €	0	-5926.08	-2421.33
10000-12000	394268	4341	65	11.010,28 €	387,27	-4894.86	-1929.89
12000-15000	575666	7761	346	13.481,78 €	1334,68	-3659.11	-2106.43
15000-20000	970375	16961	1504	17.478,81 €	2866,88	-1660.60	-1611.40
20000-25000	792726	17721	2254	22.354,51 €	4735,90	812.71	644.25
25000-30000	517904	14127	2184	27.277,26 €	6742,80	3766.36	1950.61
30000-40000	502100	17195	3298	34.246,17 €	9780,97	7947.70	3990.54
40000-50000	215059	9548	2212	44.397,12 €	14206,40	14038.27	3019.06
50000-70000	173944	10125	2661	58208,39	20689,20	22325.03	3883.31
70000-100000	79715	6528	1977	81891,74	32530,87	36535.04	2912.39
100000-150000	34642	4132	1398	119277,18	51223,59	58966.31	2042.71
150000-200000	11041	1890	695	171180,15	77175,08	90108.09	994.88
>200000	12461	4605	1817	369.553,01 €	176361,51	209131.81	2605.99
<i>Total</i>	<i>6032463</i>		<i>20434</i>				

*Income
Tax Gains:
22044 Mio. €
Income Tax
Expenditures:
-19437 Mio. €
Total:
2607 Mio. €*

In 2002 the gains from the income and wage tax were 20,4 billion €. In model A there are gains of 30,4 bn € and expenditures of 23,3 bn €. In order to guarantee the availability of 20,4 bn € for the budget, 20,434 Mio. – 7,058 Mio. = approx. 13,4 bn € additional public revenues are needed for financing basic income.

In model B there are gains of approx. 22 bn € and expenditures of approx. 19,4 bn €. In order to guarantee the availability of 20,4 bn € for the budget, 20,434 Mio. – 2,607 Mio. = approx. 17,8 bn € additional public revenues are needed for financing basic income.

The income tax statistics used are based on data from 6.032,463 individual tax payers. In 2001 the number of Austrians older than 15 years was 6.679,444 (Statistik Austria Jahrbuch 2006), i. e. 6.679,444 – 6.032,463 =

646,981 individuals had no income. But these persons shall also receive basic income, hence there are additional costs of $646\,981 * 12\,000\text{ €} = \text{approx. } 7,8\text{ bn €}$ in model A and $646\,981 * 10\,000\text{ €} = \text{approx. } 6,4\text{ bn €}$ in model B.

Hence the total costs for financing basic income are:

Model A: $13,4\text{ bn €} + 7,8\text{ bn €} = 21,2\text{ bn €}$

Model B: $17,8\text{ bn €} + 6,4\text{ bn €} = 24,2\text{ bn €}$

Individuals under 15 are not included in this model, separate solutions are needed for them (a basic income for children could e.g. be financed by making use of the money available for existing support mechanisms such as family allowance and child benefit).

Realizing basic income is not a financial question, but one of political will. There is enough wealth available in order to realize life in material wealth and with social security for all. The measures listed below are examples that shall show that financing basic income is possible. They are not fixed guidelines – many other alternatives are possible.

Financing Model A

Additional tax gains by measures taken for financing model A (based on data by Statistik Austria):

Doubling of death tax and gift tax:	0,3 bn €
Reintroduction of property tax:	1 bn €
Doubling of real estate tax:	0,4 bn €
Stock exchange tax 4%:	2,9 bn €
Increase of corporate income tax to 40%:	0,8 bn €
Tax on foundations' profits (30%):	1,4 bn €
Value creation tax (7%):	12,1 bn €
Total	18,9 bn €

Budgetary items that drop out once basic income is introduced:

Social welfare of federal states, 2002 (Statistik Austria, Jahrbuch 2005):	449,35 Mio. €
Expenditures for labour market policy, 2002 (Budgetbericht 2005):	2831,5 Mio. €
Total	<i>approx.</i> 3,3 bn €
Total sum available for financing basic income:	<i>approx.</i> 18,9 bn €
	+ 3,3 bn € = 22,2 bn €
Sum needed for financing basic income:	<i>approx.</i> 21,2 bn €

Financing Model B

Additional tax gains by measures taken for financing model B (based on data by Statistik Austria):

Triplication of real estate tax:	1 bn €
Increasing death tax and gift tax:	1 bn €
Stock exchange tax 4%:	2,9 bn €
Doubling of capital gains tax:	2 bn €
Increasing petroleum tax to approx. 50 Cent per litre	1,3 bn €
Value creation tax (9%):	15,6 bn €
<i>Total</i>	<i>23,8 bn €</i>

Budgetary items that drop out once basic income is introduced:

Social welfare of federal states, 2002 (Statistik Austria, Jahrbuch 2005):	449,35 Mio. €
Expenditures for active labour market policy, 2002 (Budgetbericht 2005):	2831,5 Mio. €
<i>Total</i>	<i>approx. 3,3 bn €</i>
<i>Total sum available for financing basic income:</i>	<i>approx. 23,8 bn €</i>
	<i>+ 3,3 bn € = 27,1 bn €</i>
<i>Sum needed for financing basic income:</i>	<i>approx. 24,2 bn €</i>

The basic idea for financing basic income is to tax capital and property more extensively. Is this justified?

The wage share is defined as share of total net wages in national income (GDP), the profit share as share of total profits in national income. Since the beginning of the 1980ies the wage share as well as the wage share adjusted by changes in the employment structure have continuously decreased (from 80% to approximately 70% respectively from 70% to approx. 59% in 2003). The profit share has increasingly increased, from approx. 30% at the beginning of the 1980ies to approx. 42% in 2003.

What does this mean? Wages decrease and profits increase relatively to the GDP. Hence it seems to be justified to tax corporations in order to achieve more distributive justice.

In Austria unearned income is defined as income from interest payments, capital gains distributions, insurance contracts and reinvested profits in the case of direct investments. Unearned income increased in the years from 1964 until 1995 fiftyfold, income deriving from profits eightfold (Österreichisches Institut für Wirtschaftsforschung 2002: Die langfristige Entwicklung der Einkommensverteilung in Österreich, p. 262).

A study on income distribution in Austria concludes that due to the liberalization of capital markets unearned incomes have increased much more than wage incomes since the 1980ies (Österreichische Gesellschaft für Politikberatung und Politikentwicklung 2004: Armuts- und Reichtumsbericht für Österreich, pp. 84sq). Furthermore in 2003 only 7,7% of all profits and self-employed incomes would have been paid to the state in the form of income taxes or corporate income taxes, but 13,3% of all wage incomes in the form of wage taxes (Ibid., 87). The Austrian tax system would privilege corporations and self-employees.

Profits and property income increase relative to national income, wages decrease relative to national income. In order to achieve more distributive justice it is necessary to tax capital and property so that an existence securing and redistributing guaranteed basic income can be financed.

In model A and model B taxing capital is organized in the form of a value creation tax (Wertschöpfungsabgabe). This tax can also be understood as a true value added tax or a tax paid by corporations in order to compensate for their free usage of the commons (knowledge, technological progress, reproductive labour, nature, social infrastructure, education, etc) (Fuchs 2006).

In Austria the employers' contributions to social insurance are calculated based on the corporate sums of salaries. A corporation that increases its productivity and profit by technological rationalization, i.e. it needs less labour power than before in order to produce more surplus, commodities, and profits in less time, doesn't contribute more, but less money to the welfare system than before. If the gross value added is considered as the basis for calculating employers' contributions to social insurance, then profits and technological productivity of a firm can be taken into account.

A corporation that benefits from general scientific and technological progress can increase its productivity and hence decrease the quantum of labour time that is needed for commodity production. The results are increasing profits by decreasing wage costs. The technological reduction of necessary labour time results in the economization of labour power and the omission of a certain amount of ancillary wage costs. The corporation consumes parts of the commons (technological knowledge) for free in order to achieve individual advantages that weaken common interests because fewer contributions to the welfare system – which is a collective good and part of the commons – are paid. The commons are exploited for free in order to achieve more profit, as a result the commons are further weakened (Fuchs 2006). Corporations consume a collective good for free, and as a result give back to society less than before. The idea of the value creation tax is that corporations don't pay taxes and contributions for the amount of labour that they employ, but for the total turnover that they achieve. Corporations

that increase profits by cutting jobs with the help of technological rationalization have to pay more, not fewer, contributions to the welfare system and hence for the organization of the commons. Expressed another way one can say that the value creation tax is a tax on the advantages that corporations derive from their free usage of collective societal goods (knowledge, technology, science, nature, education, infrastructure, reproductive labour, etc.) (Fuchs 2006).

The corporation paid fewer contributions in earlier times.

In 2003 the total gross value added in Austria was 204 285 Mio. € (WKÖ Statistik Online). If one adjusts this value to 85% (in order to take into account a potential decrease) then one arrives at a value of 173 642,25 Mio. €, which is used as calculation base for the introduction of a value creation tax. For model A the value creation tax was set at 7%, which results in gains of 12,1 bn €. For model B the value creation tax was set at 9%, which results in gains of 15,6 bn €.

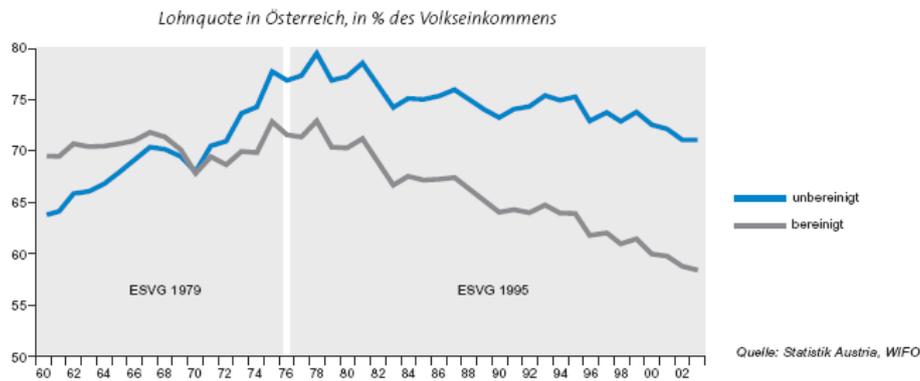
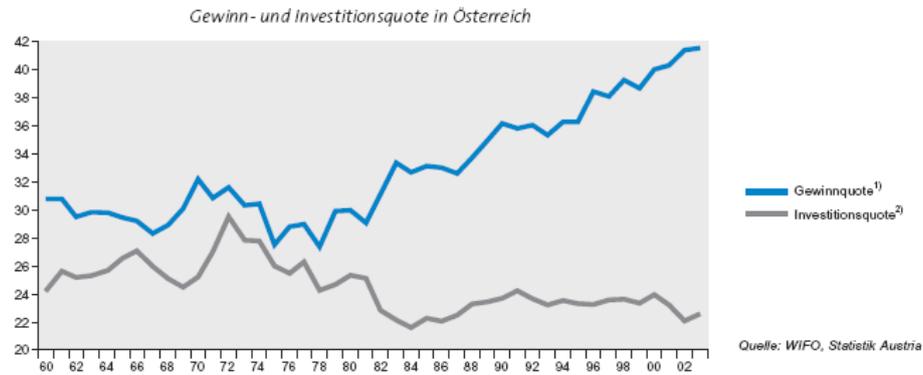


Figure: The development of the wage share (unadjusted blue, adjusted black) in Austria (Source: Österreichisches Institut für Wirtschaftsforschung 2005: Die langfristige Entwicklung der Einkommensverteilung in Österreich, p. 258).



¹⁾ Gewinnquote mit bereinigter Lohnquote berechnet;
Gewinnquote = Gewinne in % zum Nettonationaleinkommen zu Faktorkosten

²⁾ Investitionsquote = Investitionen in % des BIP

Figure: The development of the profit share (blue) in Austria (Source: Österreichisches Institut für Wirtschaftsforschung 2005: Die langfristige Entwicklung der Einkommensverteilung in Österreich, p. 263).

Entwicklung der Gewinn- und Besitzeinkommen

	Besitzeinkommen (ohne Vermietung und Verpachtung) 1964 = 100	Gewinn- einkommen 1964 = 100
1964	100,0	100,0
1970	250,8	158,1
1975	574,8	206,9
1980	1140,9	301,4
1985	1708,3	394,4
1990	2542,8	567,4
1995	3005,5	701,5
1997	3044,1	814,5

Quelle: Statistik Austria, WIFO-Konzept ESGV 1979

Figure: The development of unearned incomes and profit incomes in Austria (Source: Österreichisches Institut für Wirtschaftsforschung 2005: Die langfristige Entwicklung der Einkommensverteilung in Österreich, p. 262).

5. Basic Income and the End of Poverty in the Developing World

Extreme poverty in the world could be eradicated by e.g. introducing a Tobin tax of 0,3% on international currency transactions so that a guaranteed basic income for the absolute poor could be financed.

In 2001 the daily volume of transactions in international currency markets was approximately 1210 bn US\$ (Spahn 2002: 4). Reliable approximations assume that this volume decreases about 20% once a Tobin tax has been introduced (Spahn 2002). If one assumes as a precaution that the volume of transactions is reduced by 50% and if one assumes 250 trading days a year, one gets a total annual transaction volume of: $1210 \cdot 10^9 \cdot 250 \cdot 0,5 = 151,25$ trillion (10^{12}) US\$. Based on such assumptions realistic calculations about the Tobin tax have been made (Paul/Wahlberg 2002, Wahl 2001: 11sq). A Tobin tax of 0,30% would result in annual gains of approximately 450 billion US\$ ($151,25 \cdot 10^{12} \cdot 0,003 = 453,75$ bn US\$).

The number of individuals who suffer from extreme poverty, i.e. who have to survive on less than 1 US\$ per day, is according to the UNO approximately 1,2 billion (UNHDP 2003: 5). A guaranteed basic income of 1 dollar per day for the extreme poor could be financed by the introduction of a Tobin tax of 0,30%:

Money needed: 1,2 billion humans * 365 day * 1 US\$ = 438 bn US\$

Gains of a Tobin tax of 0,30%: 450 bn US\$

The Scientific Advisory Council of ATTAC France (2000) has argued that the gains of a Tobin tax should be used for development aid, the fight against inequalities and the pursuit of social protection everywhere in the world, and the protection of nature and living things. A guaranteed basic income for the extreme poor of the world concretizes the idea of the Tobin tax. Choosing the way of the basic income for poverty eradication is not an isolated idea, it has been realized in Brazil by the Labour Party (PT) of Luiz Inácio Lula da Silva. Basic income is a contribution to poverty reduction and a step towards another world. Globalization is in need of basic income.

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