

BASIC INCOME AUSTRALIA

This Document has Two Main Purposes:

1. To provide an overview and detail of a proposed Universal Basic Income for Australia, and
2. To provide a repository of the main arguments for and against a UBI, and alternatives

The Objectives of the Proposal:

To introduce a Universal Basic Income (UBI) to be paid to all adult Australian residents every week, at or above the Poverty Line.

While it is recognised that many of our systems need improving, the more changes required to implement a UBI, the greater the passive and active resistance from those who benefit from the status quo.

The sole focus of this policy is to implement a UBI, nothing more. As such, the UBI system should:

1. Eliminate systemic poverty, without destroying the incentive to work
2. Target the lowest paid and those without any income – despite being paid to everyone every week.
3. Disadvantage no one
4. Be simple to administer, without any need to report changed circumstances.
5. Not require changes to our welfare, tax, banking, or any other systems
6. Not raise taxes or government debt, or take money from any other program
7. Not result in excessive inflation
8. Keep the Labour Market in dynamic balance so everyone who wants a paid job has one, and all paid jobs are filled within standard recruitment times.

This approach aims to deliver broad-based benefits for society as the UBI is spent into the economy, without negatively impacting anyone.

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ABSTRACT

A Universal Basic Income (UBI) is a set amount of money paid to every adult every week – for life – to cover the necessities of life. This policy paper sets out the justifications for a UBI and explores the system problems that the UBI aims to solve; and shows how it solves them. The paper also provides evidence of widespread support for a UBI in Australia, and around the world; and demonstrates the benefits that a UBI would provide to individuals, business, and the community. A low-risk strategy is proposed to implement it without increasing taxation or government debt or taking money from other programs; or incurring excessive inflation. We also recognise that a UBI is not a silver bullet, that we will still have to address the supply side of key services like health, education, and housing, etc.; and to do this within the constraints of a circular economy that protects the biosphere. In the Appendices, we tell the stories of people dealing with poverty and the welfare system; and put the UBI in its economic context, as well as provide the detail of a possible costing model. We also answer our critics. The main alternatives and opportunity costs are also considered. The concerns of those who may fear that their own job, lifestyle, or business could be threatened by a UBI are examined, along with potential upsides for them.

OUR FUNDAMENTAL CREDO

People are not poor because the rich have too much, or because we lack resources.

They are poor because they lack the money required to fulfil their basic needs.

Without money, their needs are invisible to the market, so the market can never respond.

This is bad for them, and bad for business

For society, it creates division and conflict, and the loss of human potential.

OUR UBI MISSION

- **TO ELIMINATE SYSTEMIC POVERTY** by putting money into the hands of each of us to signal our basic needs to the market – without diminishing our ability or incentive to earn more to better ourselves, our family, and our community.
- **TO PROVIDE A FLOOR TO STAND ON, not a ceiling to achievement.**
- **TO HELP US FLOURISH** as we transition to a new technologically advanced and more sustainable economy, by using a UBI to share productivity gains more widely – without it costing employers, or anyone else. At the same time, boosting profits and investment as the UBI is spent into the economy, improving life for all.
- **TO (PARTLY) RECOGNISE THE IMMENSELY VALUABLE WORK PERFORMED BY STAY-AT-HOME CARERS**
- **TO UNDERPIN LIFE-LONG LEARNING and NEW CREATIVE and ENTREPRENEURIAL ENDEAVOURS**
- **TO BUILD ON THE IDEALS OF A CIRCULAR ECONOMY¹** so that the improvement in human life is not at the expense of all other life, including future generations.

In the body of the document, where a section is referenced, use ctrl + click to go to the section

¹ <https://ellenmacarthurfoundation.org/topics/circular-economy-introduction/overview>

OVERVIEW

A Universal Basic Income (UBI) is an **Unconditional Payment to All Adults** to meet **Basic Needs**. Payment of a UBI for children is considered separately in the section: [As a start](#), we could create the money to pay into a superannuation fund for all people who are registered carers at the rate of \$25,000 per year to fund their retirement, as per this [Change.org](#) petition

UBI FOR CHILDREN

The aim is to implement a UBI without changing the welfare, tax or banking systems. While it is accepted that these systems need to be changed/improved/integrated, determining the required changes are separate battles that need to be fought on their own terms.

The many justifications for a UBI are listed in the paper. This overview focuses on two.

The Basic Problems a UBI Can Help to Solve

Welfare

The current COVID pandemic has highlighted the value of making direct payments to people. It has also demonstrated the system's shortcomings:

- Many miss out entirely because they don't meet the conditions of entitlement.
- It creates poverty traps and artificial labour shortages by forcing people to choose between welfare and a low-paid job; where some are worse off if they take the job.
- Benefits must be kept low to force people into work, impoverishing those who cannot work. This is 12-14% of our population. A constantly changing cohort of 3 million people: mainly single women with kids, our old and incapacitated, and their unpaid carers, as well as some between jobs, all of whom lack savings and family support.

Technology, Demand for Labour, and Debt

The second problem arises from increasing automation and virtualisation. These technologies are reducing demand for labour in traditional industries, leaving more people in low-paid precarious jobs with low bargaining power, or no job at all, even as the returns to capital swell.

This is reflected in the falling share of productivity going to labour. As Geoff Crocker explains in his book *Basic Income and Sovereign Money*:² "...technology has inexorably reduced the wage content of output, so that output GDP has grown more than real wages. Unearned income then becomes an essential component of aggregate demand in high technology economies". This unearned income includes capital gains on property, and income from investments and superannuation, as well as welfare. In the absence of income, many people have resorted to borrowing more against their property, as well as taking on consumer debt to maintain their standard of living. This debt has become fundamental to sustaining demand. However, increasing debt in the face of stagnant or falling incomes is itself unsustainable, as is the resulting increase in government debt as pension and welfare payments rise.

Rising debt ultimately leads to economic collapse due to widespread defaults, reducing government revenue as demand for support rises, pushing governments deeper into debt.

²Crocker, Geoff. *Basic Income and Sovereign Money*. Springer International Publishing. Kindle Edition.

This problem is set to worsen as ‘robots make robots’³ and digital tools replace service jobs. While many new jobs will be created, many of these will also be done by machines. Flying drones has gone from not being a ‘thing’, to literally child’s play in less than a decade⁴!

System Problems Need System Solutions

These are system problems. The first cannot be solved by increasing benefits, as that just makes the poverty trap bigger. The higher the welfare payment, the more rational it is to take the benefit in lieu of a low-paid job. Nor can it be solved by adding jobs for those who cannot work.

Adding jobs can partly solve the second problem - as long as they are not bullshit jobs⁵ (another topic entirely). The problem is in the transition to new jobs, as people lose income. Without money, people are invisible to the market. This is bad for them, business, and society.

UBI: Part of the Solution to Systemic Poverty

This paper follows a prescription set out by Ross Garnaut in his book *Reset*: “Ways have to be found to raise the incomes of workers on low wages without increasing costs of labour to employers. This leads us to a minimum basic income, which can be augmented by earnings from employment which are taxed at a moderate rate⁶”.

A UBI tackles the demand side by putting money directly into the hands of people to express their basic needs, without limiting their ability or incentive to earn more, and without increasing debt, helping to stabilise the economy.

However, it is not the entire solution. We still need to consider the supply side of health, education, housing, and other public services, as well as the mechanisms for better sharing productivity gains with workers, such as by shortening the working week and boosting wages. With a UBI, communities can also collaborate to meet their own needs, using the UBI as funding. These topics are outside the scope of this paper.

Growing Support for UBI in Australia and Globally

As Garnaut explains: “integration of taxation and social security to provide all Australians with a secure basic income has been discussed from time to time over half a century”⁷. Starting with the 1975 Commission of Inquiry into Poverty, chaired by the inaugural director of the Melbourne Institute, Ronald Henderson, that favoured a universal basic income. Garnaut’s own paper for the Business Council of Australia in 1997 proposed such an arrangement⁸. He refers to it in *Reset* as ‘Australian Income Security’.

After such a long gestation in Australia, and even longer on the global stage, we suggest that a UBI’s time has come.

There is growing evidence, from a range of polls, that some form of Basic Income now has wide community support, including polls by YouGov⁹, and LinkedIn showing around 80% in favour or

³ <https://railynews.com/2021/10/robot-factory-in-shanghai-will-start-production-in-2022/>

⁴ <https://www.drdrone.ca/blogs/drone-news-drone-help-blog/timeline-of-dji-drones>

⁵ https://en.wikipedia.org/wiki/Bullshit_Jobs

⁶ Garnaut, Ross. *Reset* (p. 153). Schwartz Books Pty. Ltd.. Kindle Edition.

⁷ Garnaut, Ross. *Reset* (p. 157). Schwartz Books Pty. Ltd.. Kindle Edition.

⁸ Garnaut, Ross. *Reset* (p. 157). Schwartz Books Pty. Ltd.. Kindle Edition.

⁹ <https://www.abc.net.au/news/2020-12-11/survey-says-most-australians-welcome-universal-basic-income/12970924>

not opposed. More and more books, research papers and mainstream commentators are coming out in support. In Australia, a UBI is supported by both The Greens & the Libertarian Pirate Party, as well as a range of charitable organizations, including Anglicare¹⁰. World-wide, a network of NGO's has been formed to promote a UBI. Details are provided in the body of the paper and Appendices.

The Purposes/Benefits: Who are the Winners

The UBI provides:

- For the ever-changing group of 3 million people who lack income, savings & family support, who cannot do paid work; *they would no longer be forced to live in poverty.*
- For all income earners, a *base level of income insurance* if they lose their earned income for any reason: business failure, personal circumstances, or automation, etc.
- For low-wage employees, it would represent *a wage rise, at no cost to employers.*
- For the unemployed, no more second-class citizens. They would be encouraged to take on marginal work, as their earnings would add to their UBI – *no more welfare trap.*
- For stay-at-home carers (mostly women), it would provide, for the first time, some *paid recognition of their valuable contribution to society*; and aid in work-life balance.
- For everyone, a UBI would *support life-long learning, and new creative and entrepreneurial endeavours* when starting out.
- For business, it would *boost profits & investment* as the UBI is spent into the economy.
- For society, it could *lower crime & improve wellbeing, and mitigate major upheavals* by allowing us to quickly adjust the amount due to changed economic and societal circumstances, such as natural disasters, epidemics, and economic crises.
- For government, a UBI provides *an additional tool to help manage the economy to ensure full employment.*

These are the principal benefits. There are around 50 other specific benefits, listed in the section: [THE BENEFITS OF UBI](#)

The Major Concerns

1. The level of taxation to pay for it
2. And/or inflation, especially housing and rents
3. Labour shortages
4. Moral decay (playing video games, taking drugs, gambling, and drinking)

While these concerns are genuine, they can be counter-measured.

Target UBI and the Strategies to Implement It with Low Risk

The aim is to pay a UBI above the poverty line¹¹ to *all citizens over 18*, for life – Tax-free. This currently equates to a UBI of around \$500/week [\$1000/fortnight] in Australia.

Our modelling indicates it can be done without increasing taxes or government debt, or diverting money from other programs, or incurring excessive inflation, *using newly created money*. The money would be issued by the Reserve Bank of Australia (RBA), under the direction of a new UBI Authority.

¹⁰ <https://www.anglicare.asn.au/wp-content/uploads/2021/08/Australia-Fair-Valuing-Every-Contribution.pdf>

¹¹ [Melbourne Institute](#)

Our implementation plan is designed to test these assumptions with low risk.

- First, in keeping with the approach suggested by Geoff Crocker¹², start small (\$10/week) & increase the rate on a quarterly basis over 5 years, so the economy can adapt to the new pattern of demand; avoiding shortages that drive inflation.
- Secondly, offset the UBI against welfare, and continue benefits in excess of the UBI – so no one is disadvantaged, and
- Thirdly, amend the Tax Code to phase in *Recovery* of the UBI based on your Taxable Earnings. *There would be no other changes to tax.* The proposed sliding-scale recovery (open for debate) would leave around 75% of people better off, and the rest no worse off. Taking this approach also means that future changes to the tax code would not impact the UBI.

By offsetting the UBI against welfare benefits, as the UBI is raised, welfare will naturally phase down. And, by recovering it on a sliding-scale from earned income, we limit the amount of money injected into the economy (and hence inflationary pressure).

Figure 1 below illustrates the Gross Amount of the full UBI, less various offsets discussed in [APPENDIX VIII: USING OFFSETS TO LIMIT INFLATION](#)

Injection Less Costed Offsets	AMOUNT (\$ Billions)
Gross Amount of UBI per annum (Assuming payment to 20 million Adults)	520
Less Offsets:	
- Recovery of UBI based on Earned Income	- 213
- Welfare and Administrative Savings by Offsetting the UBI against Benefits	- 142
- Extra Tax Collected at Normal Rates on Additional Revenue Generated by UBI	- 35
- Net Outflows of Profits into the Financial and International Economies	- 30
- Technological Deflation of 1% pa (Automation, Virtualization & AI)	- 20
- Savings from Improved Health, Lower Crime and Increased Productivity	- 30
RESIDUAL UBI TO FUND (WELLBEING) GROWTH 2.5%	50

Figure 1

This table demonstrates that it is feasible to inject new money into the \$2 trillion Australian economy to pay the proposed UBI without causing excessive inflation.

The additional money would ensure the economy operates at full capacity, with a shift in activity to provide more for basic needs.

The money would benefit business as it was spent into the economy, encouraging investment and employment to meet the rising demand. The government would also benefit from the additional taxes raised on the additional profit and incomes generated.

¹² Crocker, Geoff. Basic Income and Sovereign Money (p. 81). Springer International Publishing. Kindle Edition.

Benefiting those who Need it Most

By recovering the UBI on a sliding scale, we can target the money to those who need it most, as the graph below illustrates:

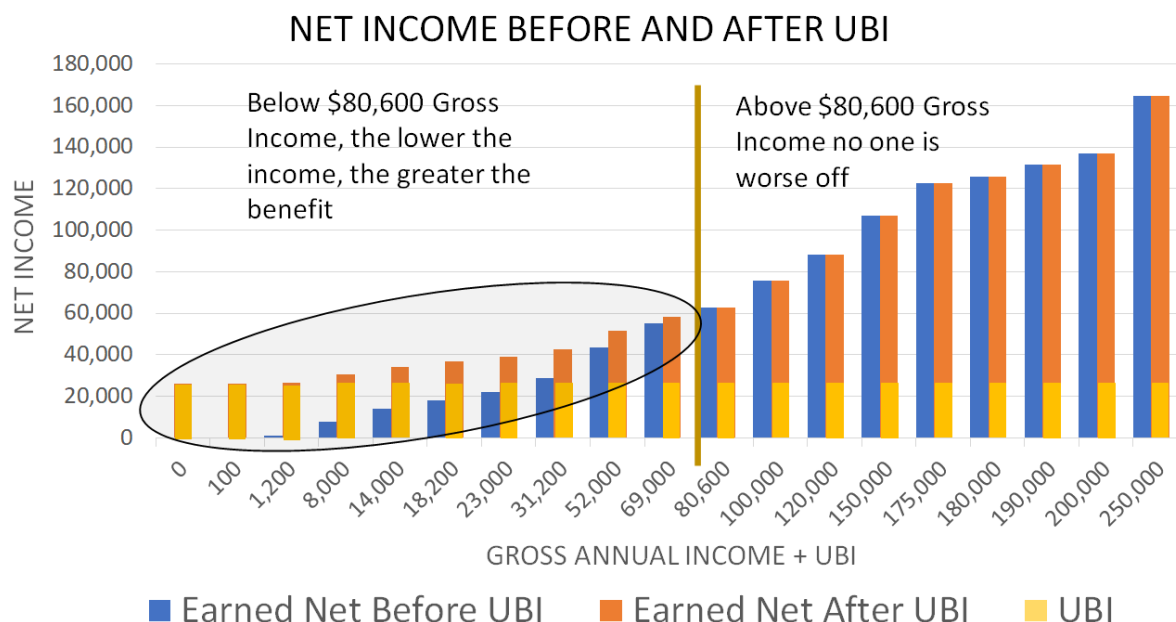


Figure 2

The rationale for paying the UBI each week, and then recovering it from earned income via the tax system, is that it acts like basic income insurance. It is always there if you lose your earned income for any reason, without any need to apply, and without any delay.

Managing the Economy with a UBI, Interest Rates and a New Levy on Spending

Under this scenario, the UBI would form a third way to introduce new money into the economy, along with government deficits to meet public needs, and bank lending to meet borrowers' needs (See: [HOW MONEY IS CREATED, ALLOCATED AND DESTROYED](#) for a full discussion of the process)

Of the three ways to introduce new money into the economy, *a UBI should always take precedence as it would provide the money to ensure survival.*

Eliminating Systemic Poverty while Managing Inflation

The first responsibility of the new UBI Authority would be to get the UBI to the poverty line.

If, despite its gradual introduction, the UBI triggered excessive demand inflation, the Reserve Bank of Australia (RBA) would retain the responsibility to damp borrowing (and hence demand) by increasing interest rates, along with the Australian Prudential Regulatory Authority (APRA) by increasing 'serviceability' levels for new borrowing.

Before the UBI reaches the poverty line, if neither its gradual introduction, nor a reasonable increase in interest rates/serviceability requirements is sufficient to keep inflation in check; the new UBI Authority should be given the power to collect a flat % levy on all transactions. The purpose of the levy would be to remove money from the economy to damp demand proportionally across all sectors and income levels. In this case, both the UBI and the levy would be gradually increased until the UBI reached the poverty line, without inducing excessive inflation. The combination of the UBI and the flat % levy would be a *progressive tax*, as

explained in [APPENDIX X: HOW A COMBINATION OF A FLAT AMOUNT UBI & FLAT % TAX IS PROGRESSIVE](#)

While it is necessary to provide the option, given the other strategies to limit inflation, it is considered that the levy is unlikely to be required.

This approach would see the economy continue to operate at full capacity, but with more activity aimed at satisfying basic needs and less on other spending.

Managing Unemployment

Once the UBI reaches the poverty line, the new UBI Authority should then take the primary role of keeping the labour market in dynamic balance. If the labour market is weak, the UBI could be gradually increased until more people begin to reduce their hours or drop out of the labour market (to live on the UBI and any other income they had) than there are people wanting more hours or a full-time job. At that point, most people who wants a job would have one, and most jobs would be filled within standard recruitment times. This may mean targeting 1-2% unemployment, with most people only being out of work for short periods. Of course, it would never be perfect, but it should be workable. Importantly, as the UBI would directly impact income, it should have a much more immediate effect on the labour market than dropping interest rates.

Summary

The recommended approach achieves the aims set out at the start of the paper. It would:

1. Be simple to administer, without any need to report changed circumstances.
2. Eliminate systemic poverty, without destroying the incentive to work
3. Target the lowest paid and those without income - despite being paid to everyone. In doing so, it would:
 - Provide part recognition of unpaid caring/social work
 - Provide an effective wage rise for low-paid workers, at no cost to employers
 - Provide Basic Income Insurance for all paid workers
4. Disadvantage no one
5. Require no changes to our welfare, tax, banking, or other systems
6. Not raise taxes or government debt, or take money from any other program
7. Not result in excessive inflation
8. Provide a new tool to keep the labour market in dynamic balance once the UBI reaches the Poverty Line

By starting small and increasing over time, we can establish the radical principles of 'universality' and 'unconditionality' up front, while gradually increasing the amount to limit risk.

By leaving the existing welfare and taxation systems intact, the approach ensures that no person can be worse off, nor do any other processes or systems need to be changed to adopt the UBI.

By not raising taxes or government debt, and by not taking money from other programs, we leave open the opportunity to raise taxes for other needed public goods and services, such as child, disabled and aged care, and health, education and housing, and to support the shift to renewable energy and a circular economy.

As the UBI aims to provide a basic standard of living for everyone, the creation of money to pay a UBI should take precedence over the injection of new money into the economy via government deficit financing and bank lending.

As it is now, inflation would be managed via interest rate rises to reduce bank lending, and via reduced government deficit spending.

The option to impose a new flat % levy on spending would only come into play if the other strategies designed to mitigate inflation fail to do so. These include:

- Offsetting UBI against welfare benefits, so benefits will naturally phase down as the UBI is increased. And, recovering it on a sliding scale from earned income (as shown in [Figure 1](#)), limiting inflationary pressure by limiting the net injection of new money.
- The gradual increase allows us to monitor inflation, the labour market, and personal impacts (good and bad) and take corrective action as appropriate, with little risk to the economy or community.

We can speed up implementation if, and when, it becomes evident that the UBI is improving health and well-being, lowering crime and financial stress, and delivering the many other benefits identified in the paper.

The expectation is that the UBI would add to overall prosperity because it is not a 'one-off' transfer. It benefits everyone as it gets spent into the economy.

Importantly, the UBI would remove the poverty trap of traditional welfare, allowing people to earn as much as they can on top of the UBI.

It would be a floor to stand on, not a ceiling to achievement.

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THE FAR-OFF FUTURE?

Imagine a world in which all production is automated, so it can supply the basic needs of every person, without damaging the biosphere.

But every person's needs are different. How to tell the machines what you want made to meet *your* needs? Money is the way.

By giving each person the same base amount (a UBI), it ensures each person cannot take more than their fair share; *without dictating what goods and services that share should comprise.*

Once, you've spent it, you cannot take more... until you get the next week's payment.

To keep the money circulating, it is collected by the machines and returned to the issuing Authority to be reissued the next week.

However, as everyone spends, there will be people inventing new machines and new ways to provide new goods and services, as well as entertainment and art and craft and other services that only a person can provide. People will spend some of their UBI on these new goods and services. The most successful will earn the most money.

The extra money will represent the extra value they have contributed to society, which will entitle them to take out more than the basics... as they spend their earnings.

Despite all having the same base, some people (with effort, talent, and luck) will climb the pyramid.

By removing the main cause of systemic poverty (a lack of money to express your basic needs), a UBI will enable an explosion of human creativity, as machines do our dirty work.

One thing it will not do is bring everyone to the same level.

WHAT IS A UNIVERSAL BASIC INCOME (UBI)?

UBI as the Epitome of Self-Determination

As foreshadowed in the Overview, the UBI would not be raised from tax or be taken from anyone else. As discussed in the section [NEW STATUTORY AUTHORITY TO MANAGE THE ISSUE OF UBI](#), the Reserve Bank of Australia would create money for the UBI at the direction of the new UBI Authority. The potential inflationary impact is addressed in the section [HOW TO IMPLEMENT A UBI WITH LEAST RISK AND MAXIMUM BENEFIT](#).

The money would be spent by each of us *in the market* to meet *our* needs. It is the antithesis of government control, or as some fear: dreaded socialism, or worse, communism

Key Features of a UBI

A UBI is a set amount of money paid to every adult citizen, permanent resident, and refugee living in the community, every week. Reduced pro-rata if you live abroad for over 3 months.

The payments would be unconditional for life while residing in Australia; with everyone free and encouraged to take on paid work without reduction in their UBI.

The payment should be 'non-seizable'. That is, no one should be able to legally take away any UBI payment from any person, with one exception discussed in section: [UBI FOR PRISONERS](#)

Payment of a UBI for children is considered separately in the section: [As a start](#), we could create the money to pay into a superannuation fund for all people who are registered carers at the rate of \$25,000 per year to fund their retirement, as per this [Change.org](#) petition

UBI FOR CHILDREN

How Much is a UBI?

The amount should be enough to meet basic needs including food, clothing, and shelter, as well as transport, power, and communications. It should be increased to stay above the poverty line.

Increases may also be required to offset technological unemployment, to keep the labour market in dynamic balance. The fewer paid jobs there are, the higher the UBI can go, until people are happy to stop looking for work (or cut back their hours) based on the UBI (and other income they may have), compatible with their lifestyle – until every job is filled, and there is no one looking for work. It will never be perfect, but it can be made workable.

Same in All Places

There are many differences between cities and regions. By paying everyone the same, it removes any distortions that could be caused by differentiating between high and low-cost regions. This allows people to make their own choices about where they live and work, considering all the factors *they* regard as important.

This is the same principle that applies to welfare now. The difference is that everyone would be free to work, wherever they live, without losing any UBI. Scott Santens provides an additional perspective in this article [Should the Amount of Basic Income Vary With Cost of Living Differences?](#)

A Basic Right Paid to All, Yet Targeted to the Most Needy

Despite paying the UBI to everyone every week (to ensure its ‘universality’), under the proposed policy, the *net benefit* of the UBI would be *targeted to those who need it most*. This can be done by offsetting the UBI against welfare benefits, and recovering it on a sliding scale via the tax system, based on earned income.

The approach is detailed in section [HOW TO IMPLEMENT A UBI WITH LEAST RISK AND MAXIMUM BENEFIT](#)

In this way, the UBI acts like basic income insurance that you don’t have to pay or apply for. It comes in each week, regardless of the amount of, or changes to, your earned income.

The Scope and Limits of UBI

Society has enacted laws in the form of property rights and money, that together with the system of paid work, constrain access to resources. In many ways these inventions have been a boon for the great majority. But not for all.

A UBI will not make all people equal. Nor will it create perfect markets or stop corruption or limit fraud or fix politics or the climate or redistribute wealth or eliminate discrimination or fix any other human frailty, or alone assure complete supply of all basic goods and services.

It will do one thing only: give each person the money they require to signal their basic needs to the market. Importantly, it will do this without destroying the incentive to work to provide the goods and services that other people value. By enabling people to earn above the UBI, the more they put in, the more they can take out.

A UBI is a floor to stand on, not a ceiling to achievement.

THE JUSTIFICATIONS FOR A UBI

Most of these are the same justifications for traditional welfare and charity. This paper looks at the shortcomings of welfare and charity; and shows how a UBI can complement both to deliver a better outcome for society overall.

Birthright

Once 'the commons' was the natural world. It was each person's birthright and the means of their survival.

Now, every person is born into a world that comprises not only the natural world, but billions of other people each with their own set of knowledge and skills, plus the sum-total of human information and culture, and the whole built environment and all technologies, and organisations and property rights and law, and money and economic systems - all accumulated over eons.

Today, it is this commons that delivers the goods and services each person needs to survive, and thrive.

No matter how great the contribution of any one person, their effort in creating anything is minuscule compared with the contribution of the commons. Jeff Bezos could not have created Amazon, if born in the back blocks of The Amazon, or just a few decades earlier.

Most of the commons has now been divided into portions subject to 'property rights', which can only be accessed with 'money'. These are all human inventions that, along with our other innovations, have delivered enormous benefits for billions of people... but not for everyone.

Many people born into the world, or through the vagaries of life, find themselves without property or money, denying them their birthright to access the resources they need to survive.

We (you and I) did not take away their birthright. But we can restore it.

If we can, we must. That is our moral obligation.

Demographic

Around 50% of the population cannot do paid work: young, old, incapacitated, their unpaid carers, and those between jobs. While in this group, people get money from savings and family (if they are lucky); and welfare and charity (if they are not). For around 12-14% of the population these sources do not provide enough to meet their basic needs.

Despite the people in this unpaid group constantly changing, the percentage in poverty has remained relatively static despite decades of growth, indicating that it is a system problem - which is within our power to change.

Technological

Scientific knowledge and automation have reduced the amount of labour required to grow our food to just a few percent of the population, and more recently, the labour required to make our goods and energy, as well. Now, Artificial Intelligence and Virtualization are doing the same with services.

On the upside, each technological wave has created more new jobs than it destroyed. This current wave will likely do the same, with one major difference. The likelihood is that many of the new jobs will also be done by machines¹³.

Whether job losses are permanent or temporary, the people suffering the loss are thrown into the unpaid group, leaving many unable to meet their basic needs, despite welfare and charity.

Societal

Most of the people in the unpaid group do immensely valuable work: children learning; adults rearing and guiding our young and caring for our old and incapacitated/disabled; as well as maintaining social bonds.

While there is meaning and fulfillment in the work itself, equity demands that in a market economy, the work should also receive paid recognition – at least sufficient to meet basic needs. Though arguably, much more!

The value of this work could be priced based on market rates for similar roles in the economy¹⁴. Though there is an argument that it is even more valuable as it underpins the 50% of the population in paid work, ensuring each generation is prepared to take its place in society, and supports them as they do. Without the unpaid work, there could be no paid work.

Feminist

As rearing, caring, and maintaining social bonds fall mainly to women, their contribution to society and the economy is undervalued. Also, most welfare is based around the family unit.

These constraints make it very difficult for women to lead independent lives, and to escape abusive relationships. It also leaves them without the means to signal their needs to the market, so their needs go unfulfilled. Or it places an undue burden on them to fulfill their unpaid responsibilities and do a paid job. Either way, the outcome is inequitable and socially destructive, especially for the 17% of children trapped in poverty.

Worse, in doing paid work, women routinely earn less than men. There is no ‘law of nature’ why this should be so. Rectifying this inequity could start with paying women and men an equal basic income. Though the amount would be equal, the net benefit would favour women as they currently earn less, or nothing (while working in the home).

Labour

As technology and globalisation have reduced demand for labour, the returns to capital have increased, with the money flowing out of the real economy (where goods and services are produced) into the financial economy (where securities are traded), and into the property market – mainly boosting asset prices. Though a great deal of money is also going into venture capital, driving innovation even faster!

The result is shifting some people into high-paying jobs, and more and more people into lower paying, less secure, low-productivity jobs. With less income, people in these jobs cannot signal

¹³ https://www.ted.com/talks/daniel_susskind_3_myths_about_the_future_of_work_and_why_they_re_not_true

¹⁴ [On some accounts the value of this work is more than 50% of Australia's GDP.](#)

many of their needs to the market, so the market can never respond. This is bad for them and bad for the owners of the machines.

There does not appear to be any end to this trend. However, the way in which productivity gains are shared is not a law of nature. We can change our systems to ensure everyone has enough to survive - *without taking from anyone*. If we can, equity demands that we should.

First Nations

Since colonisation, First Nations peoples have been subject to a culture of 'dependence' that is perpetuated by welfare. It has been made worse by their designation as 'protected people' who were corralled into remote missions, where every aspect of their lives was controlled. And then farmed out to do manual labour with little or no pay and limited education... treating many like slaves, and teaching dependency and inferiority from a young age. Despite being granted full citizenship *in their own land* (only in 1967), many indigenous people are still subject to regulations and policing that are way beyond the bounds of those imposed on non-indigenous.

It's plain that all the reports and policies of the last 60 years have failed to achieve much at all, with many of the statistics going the wrong way, particularly incarceration and family violence¹⁵.

Granting First Nations people an equal vote in 1962 was a start, but at 3% of the population their voice will forever remain a tiny minority.

However, the grant of an equal right to a basic standard of living via a UBI can extend their voice from the purely political, to the economic sphere. In that sphere, their spending will be as good as anyone's to signal their basic needs. The focus can then shift from survival, to how to thrive.

We who are alive today did not colonise First Nations peoples. Our responsibility arises in the present, to rectify the abuses which continue.

Business

While the immediate benefits of the UBI would flow to individuals, the money would soon percolate through the whole economy increasing turnover and profit, driving investment and employment nationwide. At the same time providing a pay increase for lower-paid workers, improving morale and potentially performance - without cost to employers.

Community

The UBI would not only help its recipients and local businesses, but it could also see whole communities be made viable as the money is spent in regional towns and depressed areas of our cities that have low income levels. The UBI would provide the means for people to pool some of their resources for the benefit of the whole local community. For example, by installing local renewable energy facilities.

Government

By paying the UBI with new money, it would generate new tax revenue from the extra incomes earned as the UBI is spent into the economy. As it would not be funded by tax, it would be

¹⁵ <https://www.sbs.com.au/ondemand/watch/1930938947662> Incarceration Nation

without detriment to other government services. In fact, a UBI would reduce the call on government services. So, there is no excuse not to do it. Also, by replacing some consumer debt with new *debt-free* money, a UBI will help to stabilise the economy. It would also become a new tool for managing unemployment. All round, it simply makes good economic sense.

Democratic

Just as we have universal suffrage, with one person one vote in the political sphere, the UBI gives each person an equal vote for the goods and services they choose to meet their basic needs in the economic sphere.

It is the ultimate expression of freedom in a world dependent upon money to signal your wants and needs. *It is the antithesis of government control*

What other means of allocating the *new money* could provide a greater good to the greatest number?

To Deliver Other Benefits

Whether or not any of these justifications are accepted, a UBI can be justified solely on the many other social and economic benefits it can deliver, as discussed in the section [THE BENEFITS OF UBI](#).

WIDE SUPPORT FOR A UBI IN AUSTRALIA AND GLOBALLY

Polls in Support of a UBI in Australia

There is growing evidence a UBI has broad support in Australia.

A survey was conducted on behalf of the Green Institute, between October 14 and 18, 2020. This was during the COVID pandemic when many more people have experienced the difficulty of suddenly being without an income, and the challenges of dealing with Welfare and Charities.

It Explained: "Unconditional income support is sometimes called a Guaranteed Living Wage or a Universal Basic Income. This means that just as we can rely on basic health care and education, everyone in a society has a guaranteed minimum amount of money that they can rely on".

It Asked: "Would you support or oppose a guaranteed living wage being introduced in Australia?"

It Revealed:

Net Support of 58%

- 29 per cent "strongly support"
- 29 per cent "somewhat support"

Undecided 25%

- 19 per cent "neither support nor oppose"
- 6 per cent "don't know"

Net Opposition 18%

- 10 per cent "somewhat oppose"
- 8 per cent "strongly oppose"

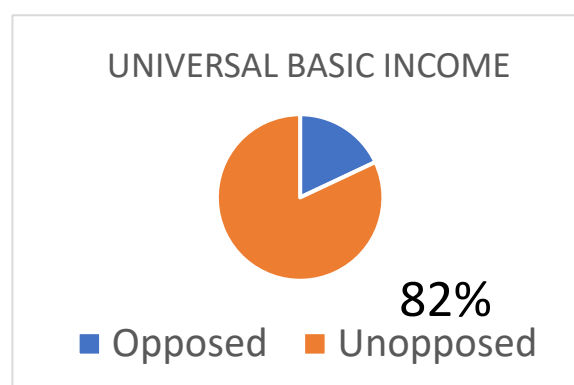


Figure 3

The results were "remarkably even" across all demographics (gender, age, income & employment status; dropping just below 50 per cent Net Support only among people over 75 years of age).

More recently, an [Anglicare Ipsos Poll¹⁶](#) showed similar support, with 77% in favour or not opposed to some form of basic income.

As well, a poll conducted on LinkedIn¹⁷ among professionals, asked: "Should the government commit to a universal basic income?" Out of 5,117 votes: 69% were unopposed.

At face value, these results could be dismissed on the basis that people responding may not have been aware of the potential costs of a UBI; and would not agree if they were aware.

Yet, there is reassurance in the fact that under our proposal, there are no direct costs; as the UBI is proposed to be paid out of newly created money. How this can be done without causing excessive inflation is discussed in the section [HOW TO IMPLEMENT A UBI WITH LEAST RISK AND MAXIMUM BENEFIT](#).

With this understanding, we could expect support for a UBI to solidify.

Other Evidence of Support for a UBI in Australia

1. Federal Parliament: [Basic Income - a radical idea enters the mainstream 18 Nov 2016](#)
2. Basic Income Australia: [Web-site](#) answers questions & links to a wide range of resources
3. Ross Garnaut Book: RESET, promotes UBI to build back better after the pandemic.
4. [Ben Spies-Butcher, et al.](#) UBI Paper: Between universalism and targeting: Exploring policy pathways for an Australian Basic Income.
5. [The Greens](#) and the Libertarian [Pirate Party](#) both have UBI policies.
6. Influential commentators such as [Alan Kohler](#) and [here interviewing Ross Garnaut](#), and [Gareth Hutchens](#) have also written extensively in support

Global Support for UBI

1. [Wikipedia](#) provides a good overview which demonstrates increasing interest in and support for UBI. It's an old idea whose time is coming!
2. [The Alaska Permanent Fund](#) pays (average) US\$1600 pa in a lump sum to all residents. While it does not meet all basic needs, it does help. Contrary to the idea that the extra money would drive inflation, it sparks lower prices via retail sales when it is paid!
3. Geoff Crocker a leading proponent who has linked [Basic Income and Sovereign Money](#)
4. There have been numerous UBI experiments¹⁸. [The United States government conducted four negative income tax \(NIT\) experiments between 1968 and 1980.](#) [Canadian Guaranteed Annual Income \(GAI\) field experiment ran in the province of Manitoba between 1974 and 1979.](#) [Between 2000-2009 there were 2 UBI partial trials, with a further 10 since then.](#) [This article summarizes the national and regional debates.](#)
5. [Basic Income Earth Network](#) (BIEN) has seen growing support for UBI over many years
6. [Andrew Yang Promoted UBI in the US 2020 Presidential Election](#) with strong grass-roots financial support during the Primaries.
7. [Scott Santens](#) is a leading proponent of UBI with an extensive database of UBI materials

¹⁶ ABC News

¹⁷ LinkedIn

¹⁸ <https://www.alisonpask.de/wp-content/uploads/2012/08/covering-all-experiments-u-b-i.pdf>

8. [Worldwide Meetings of UBI Advocates and UBI Networks](#) is building a network of NGO's and Political parties, and now has links to organizations in most countries.
9. [The Stanford Basic Income Lab](#)
10. [University of Pennsylvania center for guaranteed income research](#)
11. Global COVID Relief has sustained people and driven economic activity, showing what happens when Governments put money directly into the pockets of people.

A number of the links include references to the many concerns raised in opposition. These are dealt with in [APPENDIX XV: ANSWERING UBI CRITICS](#)

DIFFERENT APPROACHES, COMMON GOAL: OUR APPROACH IS EVOLUTIONARY

While the general idea of a UBI is common across all supporters, there are many different paths proposed to get there. Some have been trialled in the form of so-called UBI pilots, referenced in the links above. While these pilots show no negative results, often the benefits appear marginal. However, none have fully tested the premises of a UBI.

Any genuine pilot must be both *universal and enduring*, so people know that, come what may, the payment will continue for life. This assurance is required to achieve a lasting change in behaviour across society.

Our proposal offers a low-risk strategy that involves starting small and increasing the UBI over (say) five years, to observe the positive impacts, and to counter any negatives before they become entrenched. It is more evolution than revolution... but the result is the same. It just recognises that people take time to adapt – unless they are facing an immediate crisis like the current COVID pandemic.

While the pandemic has given people some insight into the problems with our current system, it is likely that once the crisis has passed, the pressure for immediate change will dissipate, so that a less disruptive approach will more likely get a better hearing.

INDIVIDUAL DRIVERS OF POVERTY

There are many individual drivers. These are just a few of the most prevalent:

- Domestic Abuse
- Separation, and Divorce,
- Addiction (drugs, alcohol, and gambling)
- Mental and Physical Disease/Incapacity, and Accident
- Old Age, and Childhood where family support is lacking
- Job/Business Loss (the business loses sales and can't carry you, or it closes, or relocates, or goes online, or the work is automated, or the boss takes a dislike, or your performance isn't up to scratch); or your car breaks down and you have no money to fix it so you cannot get to work; or you have to take care of a dependent (child or parent); or even a pandemic.
- Incarceration, including of parents¹⁹, with the stigma affecting employment

¹⁹ <https://www.sbs.com.au/ondemand/watch/1930938947662> Incarceration Nation

- Natural Disasters: droughts, floods, fires, storms, frosts, earthquakes, pests and diseases impacting farms, and pandemics impacting people.
- Economic and Political impacts such as local and global downturns and wars.
- Opting Out (a deliberate choice to live very simply & perhaps spend time in creative pursuits, and/or caring for your family)
- Learned Helplessness (endemic to some families caught in the Welfare Poverty Trap)
- Laziness (little evidence that this is a material factor)

In most cases, the reasons for poverty are temporary, or perhaps episodic. Few people in Australia spend their whole lives in poverty. Even so, many First Nations people, especially living in remote communities, face a particularly daunting challenge with little employment on offer.

THE SYSTEM PROBLEMS UNDERLYING POVERTY

While we still need programs to assist each person to deal with their own circumstances, the most urgent need is to address the systemic roots of the problem. These were canvassed in the [OVERVIEW](#) and are examined in more detail in this section

Welfare

The COVID pandemic has highlighted the value of making direct payments to people. It has also demonstrated the shortcomings of conditional payments under the current system:

- When the higher JobKeeper and JobSeeker payments were introduced in 2020 in response to the COVID pandemic, charities and the media reported many people on welfare saying: “It’s made a huge difference. I no longer have the constant stress of wondering if I can afford food at the end of the week” – highlighting the inadequacy of the normal payments. Due to the payment of the JobSeeker coronavirus supplement, objective measures²⁰ and a recent Uniting Study²¹ show that poverty *decreased* during this time, despite massive job loss. Just because the cause of job loss is confined to a specific person does not make it any less traumatic, or less in need of support! If it was good enough for the State to pay a basic income for the many impacted by the pandemic, it should be good enough for *each person*, who suddenly finds themselves without income – for whatever reason.
- Many miss out entirely because they don’t meet conditions (even though they have no cash for food or necessities), or they are not aware of their entitlement, or find it too hard to navigate the bureaucracy. Specifically, when JobKeeper was introduced, millions missed out: casuals, students & tutors, sole traders & small businesses, etc.; forcing many to survive on charity. This, even though there was plenty of food in our shops. *All that the people lacked was the money to express their needs!*
- Where benefits reduce as income goes up, people can be trapped in welfare (the poverty trap) because the system forces them to choose between welfare and a low-paid job. The trap occurs when a person feels they are worse off taking the job. This can happen where the additional costs of travel and childcare, as well as the loss of time with children, or other

²⁰ <https://apo.org.au/sites/default/files/resource-files/2021-03/apo-nid311627.pdf>

²¹ <https://www.unitingvictas.org.au/wp-content/uploads/No-Fighting-Chance-Final-Report.pdf>

caring responsibilities, can make it uneconomic once the loss of benefits is factored in.

- This poverty trap can lead to labour shortages, as evidenced when COVID restrictions were eased, but JobKeeper payments were kept at elevated levels compared to normal welfare. Employers complained: “We are competing for labour against JobKeeper!”. Resulting in the Government reducing benefits to get people to take the jobs on offer.

For the current system to work, benefits must be kept low to force people into work, impoverishing those who cannot: mostly single women with kids, the old and incapacitated and their unpaid carers, as well as those between jobs – all of whom lack savings & family support. In Australia, this ever-changing group comprises around 3.2 million people (12-14% of the population)!

Technological Unemployment

The second problem arises from increasing automation and virtualisation, as well as the shift to a low-carbon economy. These technological changes are reducing demand for labour in traditional industries, leaving more and more people in low-paid precarious jobs, or no jobs at all, even as the returns to capital swell.

In time, new jobs will emerge.

Even so, as automation improves, as Daniel Susskind explains in this TED talk: [much of this new work may also be taken by machines](#).

Take the case of a drone operator. When small drones were first introduced a decade ago, it took a highly skilled operator to manoeuvre the drone. As AI has improved control, flying a drone has quite literally become child’s play; with many industrial drones now capable of operating independent of human control, only requiring high-level task definition.

What is true of drones, will be true of more and more new work.

Despite this trend, there really is no lack of work to be done. As anyone knows who must keep a home and garden in good repair, or care for kids or a disabled or elderly relative. And of course, there are whole cities and their infrastructures to maintain, rebuild and beautify; not to mention the switch to renewable sources of energy and localised circular production, as well as an environment to regenerate; and the thousand other things that people do to provide meaning in their lives.

As we become more affluent, the distinction between work and play becomes arbitrary for many more people (professional gamers, surfers, sports people, and those in the arts, influencers and YouTube and Tic Toc and other video producers, etc).

The problem is in the speed of change and the ability of people to adapt, and how to support them while they adapt; and ongoing support if they can’t.

Automation should not be seen as a problem, but as an opportunity for humanity to flourish... which we can do if everyone has sufficient money to express their needs for the goods and services that the machines can produce. In these circumstances, having money to buy what’s needed is good for people, and for the owners of the machines!

Another part of the solution is in sharing the work that is required to be done among the people capable of doing it - by shortening the 'working week', and/or 'job share'. But that too is another topic.

A UBI can facilitate a shorter work week and job sharing by underpinning consumption despite reduced hours.

System Problems Require System Solutions

The welfare poverty trap and technological unemployment are system problems.

The first cannot be solved by increasing benefits, as that just makes the poverty trap bigger. Nor can it be solved by adding jobs for the 12-14% who cannot do *paid* work.

Adding jobs can solve the second problem - as long as they are not bullshit jobs²², but that is another topic entirely. The problem is what happens to those caught between the old and the new, who suddenly find themselves with no job, no income, and outdated skills.

To solve systemic poverty, we must address the root cause.

UBI ADDRESSES THE ROOT CAUSE OF SYSTEMIC POVERTY

The Fundamental Cause of Systemic Poverty

The way the economy works is that collectively, the money paid in the form of wages, profits and other income represents the total price of all the goods and services produced.

It means that, in the absence of sharing, those in the production process could consume all that they collectively produce, as they spend their incomes.

This would leave nothing for public goods and services.

Nor would it leave anything for the 50% of the population that cannot do paid work: young, old, incapacitated, their unpaid carers and those between jobs.

People in this unpaid group currently get money from:

1. Savings (if you have earned enough to save, or been lucky to have inherited wealth)
2. Family (if you are lucky enough to be part of a family who has sufficient income to share)
3. Welfare (incurring administrative costs, while creating 2nd class citizens & poverty traps)
4. Charity (creating 2nd class citizens & needless services that could be provided by the market)

For 12-14% of the population, these sources leave them in poverty, as noted: mainly single women with children, old and incapacitated and unpaid carers and those between jobs, all of whom lack savings and family support, with First Nations people particularly hard hit.

It's not that we lack the resources to provide a basic standard of living for everyone. Nor is it that the rich have too much.

People are poor simply because they lack the money required to express their basic needs. Without money, their needs are invisible to the market, so the market can never respond.

²² https://en.wikipedia.org/wiki/Bullshit_Jobs

This is bad for them and bad for business.

For society, it creates division and conflict, and the loss of human potential.

A UBI Provides a Primary Source of Income to Address Systemic Poverty

It would leave us with three separate sources of income:

1. UBI paid tax-free to everyone to cover the basics, as well as a form of income insurance; and to partly compensate stay-at-home carers, and people learning and starting up.
2. Taxed earned income on top (for those who can do paid work) to better themselves and their family, while contributing to the production of the goods and services we all need.
3. Welfare to cover additional costs of living in specific circumstances (eg long term incapacity, such as NDIS and nursing home support, etc.; and perhaps childcare)

UNIVERSAL INCOME FOR CARING, SOCIALIZATION AND VOLUNTEERING

Raising the next generation is perhaps the most important job in society, along with caring for the preceding generation as they age, as well as for those who cannot care for themselves (disabled). Yet the work involved is not recognized as having any 'market value'.

Providing economic recognition for the role of 'carer' and 'socialiser' could have a beneficial impact if all people who took on this role were paid the same amount per day.

The problem then becomes how to split the money when the load is shared between people. Not only between couples, but also grandparents, or foster parents for example. Perhaps, this would be best left to the people themselves to agree. Though there would need to be some mechanisms to limit one party intimidating another into giving up their share.

Such a payment would compete with earnings in the traditional labour market but could complement earnings while 'working from home'.

The net effect may be to employ more people in these socially valuable roles, with fewer employed in the traditional market. With rising automation, this may not be such a bad thing. It is now quite possible that we can again devote a significant proportion of human time and attention to our young, elderly, and incapacitated, without reducing overall living standards.

Appropriate sickness benefits, superannuation and workers compensation would also need to apply.

The problem goes beyond mere pay. It includes the sharing of responsibility between men and women. This is passionately expressed in the three-part series '[Why Women are Angry](#)'. This requires not only universal childcare, but also improved paternity leave and more flexible work arrangements for men.

In regard to volunteering more generally, the paper: '[Attaching Economic Value to Volunteer Contribution](#)', concludes:

Measuring the economic value of volunteering almost always seems like a good idea, at first blush. It is only after reflection and analysis that the problematic dimension emerges. As the table on pages four and five of this paper shows, for every opportunity presented by the economic valuation of volunteering there are countervailing risks.

Over and above this laundry list of risks and potential dangers, there is the fundamental question of how, as a society, we value and define volunteering. If we, in general, believe that volunteering is an essential and irreplaceable element of a democratic society, why do we believe that?

Is it because volunteers provide “free” labour necessary to our economy and social infrastructure? Put differently, is it because, without the contribution of volunteers, schools, hospitals, community organizations, sports programs, cultural activities (the list goes on and on) would be crippled and unable to carry on as they do now?

Or is our society’s commitment to volunteering deeper than that? Is it more connected to basic values of citizenship and participation in an open, free and democratic society? Is volunteering one of the key ways in which individual citizens are connected to the larger community? And, as a corollary, is volunteering, at its heart, a means for empowering the “ordinary citizen,” a way in which she/he gains some measure of power/influence/control over the forces that shape their daily life and those of their family and community?

If our answer to the second set of questions is yes – if we seek to foster volunteering not only for instrumental or operational reasons, but primarily because it is a basic attribute of citizenship – then we are saying that we must be very careful in how we use and view the economic valuation of volunteering. That does not mean the exercise should be avoided. Instead, the dollar value of volunteer activities must be understood within a larger frame, and never allowed to define the entire enterprise and value of volunteering to society.

The issues are further canvassed in the paper: [‘The Limits of Monetizing and Paying for Volunteering in Eldercare: A Behavioral-Economic Approach’](#)

Given these many unresolved questions, this paper leaves open the possibility of paying people to undertake these roles but does not make any recommendation.

If and when people are paid for these roles, the money paid ought to be on top of the UBI, with the UBI being recovered out of the earnings, based on the proposed sliding scale.

As a start, we could create the money to pay into a superannuation fund for all people who are registered carers at the rate of \$25,000 per year to fund their retirement, as per this [Change.org petition](#)

UBI FOR CHILDREN

Three Arguments in Favour of a (Part) UBI for Children

1. Children require additional support. This money would be paid to the parent/guardian. With 17% of children living in poverty²³, there is ample evidence that keeping them out of poverty has huge individual and social benefits²⁴.
2. It can be used to support external childcare; freeing (mainly) women to pursue other work; also facilitating the sharing of responsibilities for child rearing and home management.

²³ https://www.acoss.org.au/wp-content/uploads/2018/10/ACOSS_Poverty-in-Australia-Report_Web-Final.pdf

²⁴ [Newsweek](#)

3. Paying children some money into their own account (perhaps from as young as age 10), enables them to learn money management, especially if combined with school projects that cover budgeting and financial management. It also normalises the payment of a UBI, so the psychological impact of suddenly receiving the full UBI as an adult is lessened.

How much ought to be paid in each case (if any) is a matter to be debated and would need to take into consideration existing tax and welfare support, including for childcare.

In this context, it is important to recognise that child benefits are now targeted based on income and family circumstances (who is the primary carer, etc). We would need to be careful in converting the payments to a universal payment that we do not create more problems than we solve.

Unlike the UBI paid to each adult, a UBI for children would vary based on the number of children and perhaps their age. This would complicate the recovery of the UBI from higher paid people. It would mean your employer would need to know how many children you have, their ages and who is the primary carer, or the proportion of care, to calculate the UBI recovery in your group tax.

The better way with children may be to continue the current system but simplify and automate it as much as possible, linked to the tax system.

A major societal benefit that would also benefit women would be Universal Child Care. But again, this is a separate issue.

A small and rising payment direct to child's own bank account, to be managed by them is a separate matter also to be debated.

Arguments Against a Child UBI

The following views relate to opposition to the US Democrat proposal to increase the Child Tax credit. While the tax credit is not strictly speaking a 'UBI', and while they are US based, the objections apply equally to a Child UBI and need to be answered

The Senator's claim that the enhanced childcare credit will half childhood poverty is dubious at best. He has no idea how the money will be used. Some parents will use the funds for children, others will buy luxury items for themselves, vacations, booze and drugs. Vouchers should be issued and their use should be limited to healthy food, mortgage or rent and child items, clothing, tutors, summer camp, child recreational teams etc. etc.

Not all children are blessed with caring parents, those that are not should be protected by the government, not converted into income producing assets.

People choose to procreate and produce children all by themselves. They don't need government incentives (paid for with dollars taken from taxpayers who choose to NOT have children) to encourage them to do more of it. And, if it is supposed to be a "tax credit", it should NOT be in the form of a check cut to parents who don't pay enough in taxes to justify the credit!

I agree with Rubio that the parents need to work to get the child tax credit. If they aren't responsible, they shouldn't get it.

I wonder how many women will choose to stay home now that they realize what they are missing not being with their children. This just gives them more incentive to stay home, especially when it applies to those making double the average income.

It is as though the most important job in society, 'raising the next generation' is not worthy in its own right!

Given the issues that a Child UBI raises, we would rather press ahead with a straightforward UBI for all adults and treat a child UBI as a separate challenge.

UBI FOR PRISONERS

To assist people to re-enter society after they complete their prison term, it is suggested that the UBI be accrued and paid upon release, less an accommodation charge to go towards the cost of their incarceration, with say \$50/week set aside for general spending or saved to be paid on their release to help them settle back into society (buy a phone, clothes, pay a bond, etc). The lump sum, plus the on-going full UBI paid direct to them upon release, should see a fall in recidivism.

Their punishment is the removal of their freedom. It should not include starting from scratch after release.

It is not uncommon for criminals to re-offend just to get back into gaol because they cannot survive on the outside, as Darko Desic, now aged 64 years, has just done after 30 years on the run²⁵. Or, for the same reason, they are pulled back into crime by associates, and end up in gaol again, even when they don't want to. See documentary: Incarceration Nation²⁶

Either way, it would seem preferable to keep them out of goal, both for their own sake, and for the large cost savings to the community from not having to accommodate them, as well as avoiding further crime.

Of course, money is only the base. As Norway²⁷ has shown, the best way to keep people out of prison is to start planning from the start of their incarceration how they are going to survive and thrive on the outside. This approach would give them the knowledge, skills and connections, while the UBI would give them the means to survive until they could find paid work.

THE BENEFITS OF UBI

Many of these benefits are indisputable, while others may appear marginal, or unsubstantiated. None-the-less, the scope is extensive, offering major benefits across every sector of society.

The main counter arguments and responses are canvassed in the Appendices:

- [APPENDIX XII: ALTERNATIVES TO UBI AS A MEANS OF SOLVING SYSTEMIC POVERTY](#)
- [APPENDIX XIII: OPPORTUNITY COSTS](#)
- [APPENDIX XIV: DOWNSIDES AND UPSIDES FOR THOSE INVESTED IN THE CURRENT SYSTEM](#)
- [APPENDIX XV: ANSWERING UBI CRITICS](#)

²⁵ [ABC News](#)

²⁶ <https://www.sbs.com.au/ondemand/watch/1930938947662> Incarceration Nation

²⁷ <https://this.deakin.edu.au/society/could-victoria-follow-norways-lead-on-prisoner-rehabilitation>

This paper contends that the benefits far outweigh the potential downsides, and that any downsides that do emerge can be counter-measured as they arise – if we start small and increase the UBI gradually over several years.

We would only need to halt or slow the increase in the UBI if the downsides seemed to be overwhelming the benefits; enabling us to deal with them before they become entrenched.

While a number of these benefits have been canvassed earlier, they are included here for the sake of completeness.

For Individuals

Grants Each Person Their Birthright

1. A UBI provides each member of society access to the resources they need to survive.

Reduces Reliance on Debt

2. Importantly, as Geoff Crocker has highlighted²⁸, over the last few decades, as wages have stagnated with most of the productivity gains flowing to capital, a UBI will reduce reliance on debt by providing some debt-free Central Bank Money to every adult.

Provides Income Insurance

3. By paying the UBI to everyone, if your employer no longer needs you (due to automation, or because they are transitioning to a carbon-free economy, or they encounter a drop in sales, or for any other reason); or you get sick or injured; or must take care of your kids or a parent; or you lose your business; or for any other reason you lose income, you are assured that the UBI will continue to be paid each week. No need to apply. This includes people with assets, but suddenly no cashflow.

In effect, it would provide a base level of income insurance should you lose your business, job, or just some shifts, or even passive income - for any reason.

Eliminates Welfare Trap, Motivating People to do Paid Work if they Can

4. A UBI eliminates the welfare poverty trap as it allows every person to take on marginal work to boost their total income, without loss of the UBI. Given the opportunity, experience shows most people want more than to survive. They want to better themselves and their children – if they can.

Eliminates Bureaucracy for Individuals (and Government and Business)

5. Job seekers would not have to jump through hoops to apply for jobs they know they'll never get - just to prove they are really looking for work. This is tremendously empowering for people. It would also dramatically reduce bureaucratic overhead, both to the welfare system and to prospective employers. But especially for the people themselves, who can then spend all their time doing the things needed to find work.

Eliminates Social Stigma and Bureaucratic Intrusion

6. As the UBI is paid to everyone, it removes the stigma of being dependent on others, and avoids the humiliation of having your life questioned in minute detail to get a scrap of support.

²⁸ Crocker, Geoff. Basic Income and Sovereign Money (p. 12). Springer International Publishing. Kindle Edition.

Underpins Life-long Learning

7. It would allow people to take time off paid work in short bursts to learn new knowledge and skills before applying them in the economy, without the need to apply for and prove entitlement to welfare; or starving while you do it. Repeating the cycle throughout life.

Promotes Small Business and Entrepreneurship and Creative Endeavours

8. It also opens new opportunities for entrepreneurship and would tend to increase the supply of skilled labour, as a broader range of people would have the security and mental space to start new businesses and explore new creative opportunities.

Delivers Zero Cost Wage Rise for Low-paid Workers

9. For the low-paid, a UBI would provide a substantial wage increase, partly offsetting the stagnation of wages resulting from globalization and automation, and the consequent reduction in union/individual bargaining power – without cost to employers.

Increases Employment Choice

10. With their basics covered, people would no longer be *forced* to work for ‘poverty wages’, though they would be free to choose to take any wages offered, as their earnings would be in addition to the UBI.

A UBI also gives everybody the security to say "no" to unsafe, illegal, unpleasant, or unethical working conditions. We teach our children the importance of consent in the bedroom. A UBI extends the same values into the workplace.

It would also allow people to move and/or change their living and working circumstances because they have the money to do so.

The choice is not only between different jobs but also between their time (to do other things), and the money they would earn to improve their standard of living. Given the experience of many pilot programs, most people given the chance do not want to live on the basics. Yet the choice would be there.

Increases Employment Opportunities

11. It would also boost employment opportunities as the money is spent into the economy, boosting demand for goods & services, requiring more labour to produce and distribute.

Facilitates Reduced Working Hours

12. With their basics covered, more people may be willing to work fewer hours, sharing the available work with others – important as automation takes hold. Spain is already looking at a 4-day work week²⁹, with The Australian reporting other initiatives³⁰.

Provides Part Recognition of the Value of Home-care Work

13. For stay-at-home carers it would provide part paid recognition of the huge value they contribute to society. [On some accounts the value of this work is more than 50% of Australia’s GDP.](#)

²⁹ <https://www.theguardian.com/world/2021/mar/15/spain-to-launch-trial-of-four-day-working-week>

³⁰ [The Australian](#)

Provides Respite for Home-carers

14. Either by allowing carers to pay for in-home help, or to place their dependent in care for some periods; providing time for themselves, or to take on paid work.

Helps to Share Dependent Care and Address Gender Inequality

15. If one partner is working fulltime outside the home, and the other is working exclusively inside the home; by paying both a UBI, they can more easily share time in paid work and in caring, without suffering deprivation.

Provides Extra to Cover Additional Health and Carer Costs of Aged and Disabled

16. It would also boost the incomes of people who have additional health & carer costs due to long term incapacity or age, improving outcomes for the people concerned.

Enables Escape from Family Violence

17. For the victims of domestic violence, a UBI would provide a practical means of escape as it would be paid separately to each individual. Unlike traditional welfare schemes that are often based on family circumstances, and which cannot be easily redirected to a new account when fleeing the home; creating financial dependence on the abuser.

As importantly, a UBI could simply avert much of the violence and neglect that is triggered by financial stress.

Enables Escape from Poverty

18. For those suffering from poverty, it would give them the money they require to signal their needs to the market. This includes all people outside the production process, but especially single women with young kids, as well as those who are old, incapacitated (disabled, sick, and injured), and those between jobs – all of whom lack savings and family support.

Improves Cognitive Function and Reduces Behavioural Disorders

19. Improved cognition and behaviours are evidenced in all members of a family once they have sufficient income to survive. As important is the assurance that the UBI cannot be taken away due to circumstances beyond their control. People then have the mental bandwidth to think beyond their daily struggles: how to meet their bills, buy food, shoes for the kids in winter, petrol to get to work, etc. - enabling them to focus on ways to better themselves and their family. It would not only improve physical wellbeing, but it would also lift a huge worry that is at the core of poor mental health, boosting self-confidence,

Prevents Suicide

20. Financial stress is one of the main drivers of suicide. A UBI directly addresses this.

Helps Children to Focus on Schoolwork and Higher Education

21. Just as poverty degrades the ability of adults to manage their own lives, so it harms the ability of children to learn³¹. Lifting that burden, automatically lifts academic performance. Some studies show that children also stay longer in school and pursue more higher education.

³¹ http://www.bignam.org/BIG_pilot.html

Improves Nutrition and Reduces Alcohol and Tobacco Use

22. Studies show that with sufficient income (and availability) the consumption of fresh food increases, while that of alcohol and tobacco falls³². These trends are only marginal but show how a UBI can enhance health. They also counter the concerns that once people get a UBI they'll just start smoking and drinking more.

Improves Pre-natal and Neo-natal Care

23. Studies also show³³ that with sufficient income, birth weights improve through better nutrition, while mothers extend their maternity leave to better care for their newborns.

Enhances Self-determination for First Nations Peoples

24. Importantly, for Aboriginal and Torres Strait Islander people, by providing them with the same UBI as everyone else, it offers a way of lifting many from the trap of welfare dependency. Enabling them to focus on thriving, rather than surviving.

Improves Work-Life Balance

25. With a UBI the opportunity is to take more time with family and friends and in the community. Replacing work with more meaningful activities. Gaining time, in lieu of money, without starving; and without detriment to the economy where the UBI is set to keep the labour market in balance.

Increases Savings and Home ownership

26. While marginal, the evidence³⁴ is again positive, showing some small increase in savings and home ownership.

For Business

Boosts Profits and Investment

27. For business, it would boost profits and investment as the money is spent into the economy, increasing demand, increasing the value of each business

Promotes Automation and Productivity While Sustaining Demand

28. As automation, virtualization and AI drop costs, the UBI will sustain demand, even as some people lose earned income. A UBI could even promote automation.

As an example, there are already machines that do the work of many current abattoir jobs, though not as cheaply or as quickly, yet. So, it's a bit of a race to the bottom to be profitable - businesses are incentivised to cut corners on worker safety and welfare. Most people wouldn't do this sort of work under these conditions if there was a UBI; and most companies wouldn't run their businesses in this way if they didn't need to, to stay competitive. A UBI could encourage an industry-wide push to innovate and improve conditions while keeping down costs, as the price of automation falls.

Increases Labour Flexibility

29. A UBI could also underpin a shorter working week and shared roles. This would make it easier for businesses to manage employee absences, as those sharing roles could cover for

³² <https://dailyhive.com/vancouver/ubc-homelessness-study-new-leaf-foundations-for-social-change>

³³ http://www.bignam.org/BIG_pilot.html

³⁴ http://www.bignam.org/BIG_pilot.html

each other; without the business having to employ temporary labour at extra cost, or worrying about managing absences.

Increases Labour Force Participation

30. Trials have shown increased labour force participation arising from a greater confidence to go out and seek a job - increasing the pool of labour for business.

Improves Employer/Employee Work Relations

31. Without the ever-present threat poverty due to job loss, some studies show conscientiousness and agreeableness improve significantly. Importantly, by reducing the threat of poverty, a UBI can sustain a more balanced relationship between employers and employees. The evidence is overwhelming that businesses prosper when there is mutual respect.

Reduces Bureaucracy Related to Meeting Current Welfare Job Applications

32. As people would be left to apply only for those jobs they felt qualified to take, a UBI would free business from engaging with applicants who apply simply to meet their 'mutual obligations'.

For the Economy

Targets the Most-Needy to Limit Inflationary Pressures.

33. Despite everyone receiving the same weekly amount, the UBI can be targeted to the neediest in the community by offsetting the UBI against welfare benefits and recovering it on a sliding scale from earned income via the tax system. This ensures achievement of equity while limiting inflationary pressures.

Limits Wage-Push Inflation While Granting a Real Wage Rise

34. Gives people a real wage increase, at no cost to employers

Increases Economic Activity

35. While the immediate benefits of the UBI would flow to individuals, local businesses and communities, the money would soon percolate through the whole economy increasing turnover and profit, driving investment and employment nationwide.

Improves System Stability

36. With the UBI replacing some debt-based money with newly created debt-free money – it would help to stabilize the economy by lessening the need for individuals, businesses, and government to borrowing to finance all economic activity. This would mitigate the business cycle and reduce financial stress. (Explained in the following sections).

Results in a Better Educated, Productive and Creative Citizenry

37. Due to the improvement in cognitive ability and the time to focus on 'self-improvement', a UBI will help to lift the overall level of education (formal and informal), enhancing productivity and entrepreneurship.

Makes Australia More Competitive

38. By enhancing entrepreneurship and facilitating automation and providing a better educated and more flexible and committed workforce, due to the underpinning security provided by the UBI.

For Government

Delivers Additional Tax Revenue

39. By paying the UBI with new money, it would generate additional incomes as it is spent into the economy, generating additional tax revenue. Raising more tax without increasing rates. Some/all of this extra tax can be returned to finance the UBI without adding to inflation.

Delivers Administrative and Welfare Cost Savings.

40. The savings come from the huge reduction in welfare administration costs, as well as the ultimate elimination of Jobseeker, and a part reduction in disability and age care costs due to their offset by an automatic fixed payment which is simple and cheap to administer.

Requires No Change to Other Government Services

41. As the UBI would not be funded by tax (but from new money), it would have no impact on other government services. So, there is no excuse not to do it.

Enables Better Use of Government Resources

42. With more people able to look after themselves, public resources can be refocused on those with special needs including disabled people, the aged, and their carers, as well as more support for people with mental health problems and addictions, as well as helping ex-criminals re-enter society. More resources can also be provided to enhance life-skills for people who may have grown up in homes where they were lacking. This could include parenting and budgeting, as well as how to negotiate.

Helps to Mitigate Major Upheavals

43. With everyone already receiving a UBI, it would enable us to quickly identify and pay people a supplement to counter adverse economic and societal circumstances, such as natural disasters, epidemics, and economic and political crises. Even without a supplement, the UBI itself would provide a minimum amount to cover the basics in the event of disaster, without any need to apply, and without delay.

Offers a New Tool to Manage Unemployment

44. Once the UBI reaches the poverty line, it can be increased over time to keep the labour market in dynamic balance. This would be much more effective than reducing interest rates as it directly impacts each person's income.

Leads to a More Engaged and Cohesive Society

45. For democracy to function, people need to be engaged politically, and in their community. They need to feel that they belong. A UBI tells them they are a full member of society with basic rights, not only to vote in the polling booth, but also to vote with money in the market to meet their basic needs. The result will be a more generous, kinder, and more caring society, with less hostility and fear – reducing crime and improving health.

For The People

Puts More Decision-making Power in the Hands of the People

46. This power is exercised as they spend their money, directing how society's resources are deployed to meet their needs. This power is not taken at the expense of government. It is in addition.

Reduces Inequality and Social Unrest,

47. While relativities would remain, the overall disparity between people at the bottom and those in the middle would be reduced, enhancing social cohesion. This sense of community would be heightened by the fact that everyone would be receiving the same UBI.

Correct Some of the Shift in Productivity Gains From Capital to Labour,

48. Over the last 30 years, most of the productivity gains have gone to capital. The UBI would enable more people to share in the gains, without taking anything from anyone, as it would mostly enable people to signal unmet needs that the market would expand to deliver.

Improves Cultural Life of Australia

49. A UBI could also lead to increased cultural activity (sport, music, art, theatre, hobbies, etc) in many areas that do not have a clear monetary benefit to society, but which do create an improved enjoyment of life as a whole and of social interactivity.

Improves Health and Well-being with Little Impact on Employment

50. With their basics covered, health and well-being rise, measured in lower hospitalization rates. With little adverse impact on employment (mostly related to kids staying in school longer, and parents taking more time to care for their children – hardly a problem).

Boosts Small Towns and Depressed Suburbs

51. The UBI would not only help its recipients, but it would also help local businesses, indeed whole communities, to remain viable as the money is spent in regional towns and depressed areas of our cities that have low income levels - especially as more people choose, and are able, to work remotely from home.

Helps to Address Homelessness

52. By giving people a steady income, a UBI offers people the chance to find shelter without relying on charity. Of course, a UBI on addresses the demand side. We will still need emergency shelters and more low-cost homes to be built.

Shifts Risk of Labour Market Flexibility from the Casual Worker to the State.

53. Under permanent employment arrangements, the risk of a temporary fall in demand was absorbed by the employer. Over recent decades, this risk has shifted more and more to workers as the gig economy has grown. Given the benefits of labour market flexibility are to society in general, it is unfair to place the cost of this flexibility on the individual. By paying the UBI out of new money, the cost of flexibility is lifted off the casual worker without cost to the community.

Empowers Communities to Solve Their Own Problems

54. The introduction of a UBI can effectively assist with community mobilisation and empowerment³⁵, with community groups working together to advise residents on how to spend the UBI money wisely. In some places, it has led to the establishment of local markets by increasing household buying power. It would also enable people to pool some part of their UBI to provide community services, such as local renewable energy.

³⁵ http://www.bignam.org/BIG_pilot.html

55. Eliminates the Need for Charities to Supply the Basics

Instead of simply meeting the basics, charities could focus on supporting mental and physical health, enhancing life skills, and in dealing with disasters, etc.

Reduces Crime and Lowers Costs

56. Many studies³⁶ also show that with a base income available, crime goes down. Not only avoiding the trauma of the victims, but also saving on the costs of justice. Though even better results are achieved when the focus is on returning the person to society from day one³⁷.

Assists Ex-Prisoners to Re-enter Society

57. This can be achieved by providing a lump sum of UBI (less accommodation cost) accrued during their prison term, plus on-going UBI, upon release.

Aligns with Social Norms and Political Realities

58. A UBI reflects Australia's history of egalitarianism, while embracing the country's liberal democratic principle of self-reliance to better yourself. That is, it provides a floor, not a ceiling.

Fulfills Social Contract

59. A UBI also fulfills the implied social contract that the rulers ought to ensure the welfare of the ruled, in the interests of both!

³⁶ https://en.wikipedia.org/wiki/Universal_basic_income

³⁷ <https://pulitzercenter.org/projects/finlands-open-prisons>

HOW MONEY IS CREATED, ALLOCATED AND DESTROYED

To understand why we are suggesting the UBI be funded via newly created debt-free money, it is necessary to recognise that fundamentally, the UBI *is* money. Which raises the question: where does money come from, and how it is now allocated and destroyed?

As this [Bank of England paper](#) explains, commercial banks create most of our money as loans. The rest is created by the Reserve Bank of Australia (RBA) buying up Government debt, or directly crediting the Government's account with the RBA³⁸. That is, all money is currently created as debt-based money.

While all money is debt-based in its origin, not all debt is money. The total amount of loans can far exceed the amount of money on issue. Loans between individuals, businesses and government, and other forms of securitised debt, don't count as money. They simply reflect the transfer of money from one entity to another for a specified period. That said, such lending does alter the pattern of spending, and hence the pattern of demand.

Bank Lending

Creating Money via Lending

When you take out a bank loan, the bank does not take any money from depositors (or anyone else). It simply writes two new entries in its books: debit the loan amount in the name of the borrower, and credit a deposit in the same name. The debit shows the amount to be repaid, while the deposit provides the funds for the borrower to draw down. The double entry creates the money; and keeps the bank's books in balance. Voilà... money from nothing! This money exists nowhere but in the banks' computers. To make payments, banks send *messages* (not money) to each other to increase the account balances of payees, as the balances of the payers are reduced.

This process puts *new money* into the hands of *specific* people, as well as *specific* government and private organizations, who borrow.

As the money gets spent by the borrowers, it signals *extra* demand based on *the borrower's needs and wants* - driving economic activity.

The *new* money is injected into the economy BEFORE Australian tax. Tax is only raised on the incomes that the money generates - *once it has been spent into the economy*.

Borrowers are obliged to repay the loans as the new money gives them purchasing power they have not earned. They must work and/or invest to earn the money to repay the loan. Once the loan has been repaid, they and society will be square. They will have put back in what they took out when they first spent the proceeds of the loan.

Destroying Money via Repayment of Loans

The money is destroyed as the loans are repaid and the entries in the books of the bank are reversed.

Federal Government Deficit Spending

The following sections are a direct quote from the paper 'Debt Won't Hurt Us', by the Australia Institute³⁹.

³⁸ <https://australiainstitute.org.au/wp-content/uploads/2020/12/P903-Government-debt-wont-hurt-us.pdf>

³⁹ <https://australiainstitute.org.au/wp-content/uploads/2020/12/P903-Government-debt-wont-hurt-us.pdf>

[D]eficit spending itself creates the additional money/liquidity in the system which is used to buy government debt.

There is... the fear debt has to be repaid. ...When a government security matures the government debt is extinguished and in return you receive a payment from the government for the principal value of the security. But in reality, you have exchanged one form of government debt for money which is a liability of the Reserve Bank of Australia (RBA). And then the government or the RBA is likely to want to mop up that liquidity by selling bonds which essentially rolls over the original debt.

In the case of the Commonwealth Government, spending and taxing, and buying and selling debt, generally takes place using the Commonwealth's account with the RBA.

Managing the Money Supply

The corollary is that, without a net increase in debt-based money (where new lending exceeds repayments), there can be no growth!

For this to occur, individuals, business and government must together borrow more in total than they repay against existing loans. It means that if one sector contracts, the others must make up the shortfall in borrowing to stop the economy deflating.

The government has a role to play in managing the size of its deficit by changing outlays or taxes to limit the amount of new money it injects into the economy, to keep its net spending on public goods and services within the capacity limits of the economy.

The role of commercial banks is vital (if properly carried out). *It is to decide in conjunction with borrowers to what ends new money should be directed, and to ensure the borrower can and does repay the money.*

It's the role of the RBA to keep the total amount of new money being injected into the economy in balance with Australia's (and the world's) productive capacity. Too little, and needs go unmet, and businesses miss out on sales. Too much, and we get excessive inflation.

The RBA increases the cash rate⁴⁰ to limit borrowing whenever inflation moves above its target 3%. They drop the rate to expand borrowing, and hence demand, if the economy is sluggish.

Right now, with the cash rate about as low as it can go, the RBA is powerless to lift demand, even as we suffer big declines in specific sectors due to the pandemic.

If the above explanation appears confusing or is not in line with how you have understood the process up to now, we urge you to investigate the process for yourself. However, for the purposes of this paper, you don't need full understanding of how money is created. *Only to recognise that there is no law of nature that says the current way is the only possible way.*

Creating Money via Spending

Suppose the government decides to increase its expenditure by hiring you to do a media campaign. At the end of the first fortnight, you get paid \$2,000. That payment just appears in your bank account and your wealth is now higher by \$2,000.

⁴⁰ The interest rate at which commercial banks lend to and borrow from the Reserve Bank. It is the base rate for all other rates.

Looking at the other side of the transaction, the government makes that payment by drawing down its account with the RBA. After the payment to you, the government's assets have reduced by \$2,000 or it has increased its overdraft/loan by \$2,000.

Meantime your bank has a new liability of \$2,000: your deposit with the bank. But matching that bank's new liability is additional assets of \$2,000 on the part of the bank, the equivalent of what the government paid you. That new \$2,000 asset on the part of the bank is likely to be an additional credit item the bank's balance with the RBA.

The government effectively tells the RBA to take \$2,000 out of the government's account and put it into the private bank's account [where you bank].

By having the money paid into your bank account, your bank now owes you \$2,000 which you can withdraw at any time, and your bank has a new deposit of \$2,000 with the RBA.

That new \$2,000 claim against the RBA is as good as money, which is why the press often uses the expression 'printing money'. However, the transaction just involves some instructions between computers rather than the physical printing of actual money.

We are now left with the private sector holding an additional \$2,000 in liquid assets.

It is important to note that the private sector now has an additional wealth holding of \$2,000. Most of that will be in the hands of the banks.

The government may be quite content to see that \$2,000 remain as liquid assets in the banking system

Suppose now the government wants to 'finance the deficit spending' and soak up the additional liquidity in the system by selling government bonds worth \$2,000. The government issues more bonds and sells them through the regular auctions held by the Office of Financial Management.

It may be that the banks are looking to invest their surplus funds and so use their \$2,000 in assets to buy government bonds. It may be that the people who have some of that \$2,000 as savings in the banking system would prefer to hold some of it in government bonds.

As the banks and others pay for their bonds, they will credit the government's RBA account with \$2,000 and buy the equivalent value of government bonds. The upshot is that the banks use up the additional assets of \$2,000 to buy \$2,000 in government bonds.

Back to where we started: people ask where the money will come from, well the answer is that the deficit spending itself created the additional money/liquidity in the system. If the government sells bonds and gets that money back it changes the composition of the wealth in the private sector but not the value of the wealth itself.

Both 'bonds' and 'cash' are essentially government instruments, the only difference is that bonds pay interest and cash doesn't.

Destroying Money via Taxes

It is useful to compare the above example of deficit spending with what happens when the government increases taxes to pay for the spending.

Your share of the new taxes may be \$2,000 which you pay to the government. The government places that deposit with the RBA.

Behind the scenes as it were [your] private bank clears that payment by paying the RBA \$2,000.

At the end of that set of transactions the government has increased its deposit at the RBA by \$2,000, you have reduced your deposit at the bank by \$2,000 and the bank itself has reduced its liabilities to you by \$2,000 and reduced its own deposit with the RBA by \$2,000.

At this point, the government could either spend the money, or it could ask the RBA to offset the \$2,000 deposit against the government debt that the RBA holds. If this is done, the RBA would effectively write back (destroy) the money that it first created when the government paid you \$2,000 for doing work for it.

HOW PEOPLE NOW GET ACCESS TO MONEY

Once the money has been created by the RBA/banks and spent by borrowers (individual, business, and government) into the economy, people get access to it via:

Those who can Participate in the Paid Economy

1. Wages/fees for service (but you need knowledge, skills and physical capacity, and jobs)
2. Profits/royalties/rent/investment income (but you need assets and/or income to start)
3. Borrowing from Savers (but you need assets and/or income to access loans)

Those in the Unpaid Group (about 50% of the pop. at any time)

1. Savings (if you have earned enough to save, or been lucky to have inherited wealth)
2. Family (if you are lucky to be part of a family who has sufficient income to share)
3. Welfare (incurring administrative cost, while creating 2nd. class citizens & poverty traps)
4. Charity (needlessly providing services that could be provided by the market)

Some in Both the Paid and Unpaid Groups

1. Sale of assets (if you have earned enough to save, or been lucky to inherit wealth)
2. Gifts/inheritance (if you are lucky)
3. Gambling (if you are extremely lucky, as very few are net winners)
4. Crime (a rational response to exclusion; or for those able to work, a reflection of greed)

Money is the driver of all economic activity. It gets created as 'debt-money' which is then spent in the market, where it flows through the supply chains, determining how our resources are used to produce the goods and services we demand.

Two System Problems

As earlier identified, there are two problems with the current system for allocating money:

1. For 12-14% of the population at any time who are in the unpaid group, none of these sources provide sufficient money to keep them out of poverty, mostly single women with kids, old, incapacitated, their unpaid carers and those between jobs. All of whom lack savings and a home of their own.
2. Also, as more and more of the productivity gains have gone to capital, people have increased their reliance on borrowing and unearned income (including welfare) to meet their needs, and to support economic activity.

A UBI rectifies these system problems.

NEW STATUTORY AUTHORITY TO MANAGE THE ISSUE OF UBI

In addition to the RBA, we can authorize a new UBI Federal Statutory Authority (UBIA) to manage the issue of new money in equal amounts to all citizens: a Universal Basic Income (UBI). This money would be paid directly by the RBA into each person's nominated UBI account (at their own bank), at the direction of the new UBIA.

UBIA as an Independent Authority

The UBIA should be set up under its own charter as an independent body. This is vital to separate it from the functions of government and the RBA, so that the UBI is made independent of taxation, welfare, other government spending, interest rates, and the state of the economy.

The UBIA would determine the target UBI rate required to eliminate systemic poverty based on long standing community research; and manage the process to lift the UBI in keeping with the improvement in living standards due to technological advancements.

As a guide, the UBIA's overriding target ought to be to achieve a UBI above the poverty line within 5 years, or sooner if possible.

It would decide on the initial amount and rate of increase, over what period, modifying both the amount and timing of any increase, as circumstances change (to mitigate adverse impacts and to promote its benefits).

The UBIA would administer the payment to ensure everyone who is entitled to it, receives it, while limiting fraud.

Working with Other Arms of Government

The UBIA would determine the amount of UBI to be paid at any time based on agreed research and direct payments to be made by the RBA.

Its systems would need to integrate with births, deaths and immigration/emigration registries, and the prison systems in each State and Federally.

It could use new data sets collected via the Australian Bureau of Statistics and the banks.

It would also be required to set its strategies in consultation with the RBA, APRA and Government, but acting independently, as the RBA and APRA does now. This sharing of responsibility is considered in more detail in [APPENDIX VII: HOW THE GOVERNMENT, THE RBA, APRA AND THE UBIA WORK TOGETHER](#)

UBIA Taxing Power

The UBIA should also be given the power to levy a broad-based flat-percentage expenditure tax (like a GST) *as a last resort* to manage excess inflation that cannot be controlled by the RBA.

The tax would be used solely to damp demand, with the proceeds returned to the RBA to be offset against the money created to pay the UBI.

A broad-based GST is best for damping inflation. Other taxes, such as wealth or financial services taxes, may raise money, but their impact is mostly within the financial economy (where securities are traded).

As we need to damp inflation in the 'real economy' (where goods and services are produced and sold), we need to apply a broad-based tax to *transactions* in that economy.

While a flat-rate expenditure tax on its own would be regressive. In combination with the UBI, the overall effect would be progressive. This is illustrated in [Figure 12](#) and explained in [APPENDIX X: HOW A COMBINATION OF A FLAT AMOUNT UBI & FLAT % TAX IS PROGRESSIVE](#)

Oversight

Oversight should be through parliament.

Also, as the UBIA's role will affect us all, its charter ought to require it to publish all the data and assumptions used to make its assessments; so that they are open to debate. This would help to take pressure off politicians to make changes in the UBI that defer to special interests.

Operating Cost of UBIA

There would be a cost to set up and run the UBIA itself, as well as the payment and monitoring systems, but these costs would be a fraction of the costs relating to the current welfare system.

The payments themselves could be largely automated, with links to births, deaths, and immigration and prison databases, and through the RBA to the banking network.

Funding the UBI

Given the money used to pay the UBI would all be newly created, there would be no cost to pay the UBI itself. The numbers on the books of the Central Bank that would signify the new money would be a debt in name only. See [APPENDIX V: THERE IS NO GOVERNMENT DEBT BOMB](#)

THE REAL COSTS RELATED TO A UBI

There are two real costs that the UBIA must manage:

- One is in the resources left idle and the needs unmet, if too little money is made available. The lost productivity and suffering entailed can never be made up, as the time can never be recovered. This reality has been recognised by most governments in creating money to keep their economies functioning, and to meet basic needs during COVID.
- The other potential cost is excessive inflation that impoverishes those on fixed incomes over time

The UBI proposed in this paper has been designed to address both costs.

HOW TO IMPLEMENT A UBI WITH LEAST RISK AND MAXIMUM BENEFIT

Establishing the UBIA and Systems

Before the amounts of money flowing through the system become material, the bureaucracy and computer systems need to be thoroughly tested to ensure:

- everyone who is entitled is receiving the UBI (especially the homeless and those under guardianship, or in care) via a dedicated bank account
- privacy is fully protected
- everyone has the means to access the money paid to them: card/phone
- no-one is double-dipping
- when people are born and turn 18, and die, or enter or leave Australia for an extended period, or enter prison, the system picks them up.
- the linkages to the tax and welfare, and births and deaths, and immigration and prison systems and banking systems are effectively integrated and as far as possible automated.

In March 2020, the [Australian Bureau of Statistics moved to produce real-time data](#) to help manage the Government's response to the COVID pandemic. The same approach can be extended to providing timely data to the UBIA on the impacts of the UBI.

The Major Concerns

1. The level of taxation to pay for it
2. And/or inflation, especially rents
3. Labour shortages
4. Moral decay (playing video games, taking drugs, gambling, and drinking)

Under the proposed policy (paying a UBI out of newly created money), taxation is not an issue; but inflation and the other risks are of genuine concern.

Output Gap and Capacity Utilization

The Output Gap is the gap between the economy's current maximum output and what it could potentially achieve. While the figures are notoriously uncertain, [the estimate for 2017 was around 1.5%](#) for Australia. Given the impact of the pandemic, it is likely now much greater.

This Gap is impacted by the Capacity Utilization, which is the percentage of resources used by corporations and factories to produce goods in manufacturing, mining, and electric and gas utilities for all facilities located in Australia. [The rate was 81.17% in July 2021.](#)

Apart from shortages due to disruptions in the supply chain caused by the pandemic, this provides room to increase supply to meet rising demand due a UBI, without increasing inflation.

However, it is important to recognise that this gap can only be closed once. At that point, additional capacity must be generated through new investment. For the purposes of this policy proposal, we have focused on 'growth' as the measure allowing for additional new money to be injected via the UBI, without spurring inflation. The accepted target is around 3% p.a.

Limiting Inflation Pressure by Using Targeted Offsets

At \$500/week/person [\$1,000/fortnight], without any offsets, we would be injecting around \$520 billion of new money into Australia's \$2 trillion economy every year.

Clearly, this would be hugely inflationary, even considering: the current output gap, a reduction in borrowing due to rising interest rates, and ongoing technological deflationary trends.

To greatly reduce this injection, the policy is proposing a series of offsets, by:

1. offsetting the UBI against welfare benefits, saving \$142 billion pa of current welfare and administration costs.
2. recovering a substantial portion of the UBI from earned income (on a sliding scale), offsetting around \$213 billion pa
3. a series of other offsets (as detailed in [APPENDIX VIII: USING OFFSETS TO LIMIT INFLATION](#)), delivering a further \$115 billion.

Together these offsets would reduce the net injection to around \$50 billion a year.

At 2.5% of GDP, this ought to be sustainable given a goal of 3% growth; and a 3% upper bound on inflation itself, and with capacity to increase interest rates to slow the injection of new

borrowings; and as a last resort, imposition of a flat% tax on spending (as discussed below in the section Managing Inflation).

Of course, this is all theory.

How to Limit Overall Risk: Start Small

If it is possible to achieve support for the full UBI all at once, we should do so.

However, if that proves impossible, we can test the theory with limited risk, by starting at (say) \$10/week/person, and gradually increase the amount over (say) 5 years. This will allow the market to adjust to the new pattern of demand without creating shortages that drive inflation.

The counter-argument is that this gives those in opposition the opportunity to pressure the Government to hold off increasing the UBI, or to even cancel it. Such an argument is moot if we cannot introduce it any other way.

Importantly, by taking it slowly, we don't have to theorise about the possible positives and negatives. We can observe them. Effectively, it allows us to conduct a genuine *universal* pilot. It also allows us to set up and test all the new systems with least cost and risk.

The data it would generate would be a boon for researchers in Australia and across the world. It could help to derive whole new economic theories.

If demand driven inflation emerges because of the UBI, and/or we see labour shortages appearing, and/or signs of moral decay, we can simply halt the increase in the UBI, and take corrective action before the problems become deep-seated.

Or, if we see real benefits in terms of economic growth, as well as improved health and wellbeing, and greater engagement in work and other socially valuable activities, and perhaps even lower crime, we can speed up the increase in the rate to enhance these positive changes.

Small is Also Big

While \$10/week/person may not sound much to most people. For a couple below the poverty line, \$20 is the difference between eating one day a week and petrol for the car to get to a casual job. So, right from the start, it would make a difference to the people who need it most. And, as the rate is increased quarter by quarter, so the value would grow.

As well, across the whole economy (assuming 50% of people spend it immediately), it would represent at least another \$30 million per week (after offsets and recoveries) going into the coffers of business (big and small) – just to start!

Managing Inflation

While the offsets and gradual increase in the UBI have been designed to minimise the net injection of new money into the economy each year, the risk of inflation remains.

Primary responsibility for managing inflation ought to remain with the RBA, supported by APRA.

This would be done by increasing interest rates and setting loan limits to discourage borrowing to offset the inflow of new money from the UBI, eliminating inflationary pressures.

The UBIA would only be required to impose a flat % tax on spending if the UBI led to demand driven inflation, *and* the RBA/APRA was unable to control it.

If this happened, the UBIA would continue to inject a higher UBI into the economy, quarter by quarter (to get it above the poverty line), while also be taking *some* money out at a flat % rate on all spending.

The tax would damp demand across all sectors and all income levels without distorting relativities.

Combined with the UBI, the net impact on people's incomes would be a 'progressive' tax, as illustrated in [APPENDIX X: HOW A COMBINATION OF A FLAT AMOUNT UBI & FLAT % TAX IS PROGRESSIVE](#)

It would not impact overall economic activity. It would simply shift the pattern of demand towards meeting all basic needs ahead of other spending.

Managing House Price and Rental Increases

Housing brings its own challenges. There is some evidence⁴¹ that when rent assistance is increased in areas where many people are receiving assistance, rents increased by 10%. This could bode ill for people receiving a UBI. However, the research also showed that people were still net better off. There's no reason to think the UBI would be any different. Though again, by starting small we can test the assumption with little risk.

Alex Howlett suggests that a UBI could help to reduce housing costs⁴² as it enables people to live in low priced areas away from cities and still survive. This would be made even more advantageous with the switch to remote working accelerated by the pandemic

Regardless, housing is much more a supply problem. The UBI can help to signal demand, but what is needed is an increase in low-income housing. This is outside the remit of a UBI.

Managing Labour Market Imbalance

Specific Labour Shortages

It is possible that as the UBI increases, but before we get to the poverty line, labour shortages may appear in specific less attractive industries. This could drive up wages and hence prices. It could be argued in this case, that the new level of wages and prices simply reflects the real value of the work. So, no bad thing.

However, it is just as true that with their basic needs met, people may be willing to undertake such work for the wages currently on offer, or even less, as the money they earn would go on top of their UBI.

No one knows for sure how it would play out, which is another reason for starting small, so we can observe the actual impacts of the UBI and take corrective action, as required.

Technological Unemployment

Once we get the UBI past the poverty line, there is also the broader issue of technological unemployment. At this point, the focus would switch from inflation, to keeping the labour market in dynamic balance.

⁴¹ [Get details from Ben Spies-Butcher.](#)

⁴² <https://medium.com/human-capitalism/universal-basic-income-fixes-the-housing-market-639523c22b14>

As the capacity of the economy to produce increases, while the demand for labour reduces, a growing UBI can help to ensure *everyone* shares in the fruits of the productivity gains.

The question is how can we know what the right level is?

Fortunately, everyone has a different propensity to take on paid work depending on their age, life circumstances (eg married, kids, health, etc), other sources of income, motivation, job availability, etc.

We can use this fact to set the UBI at a rate that keeps the labour market roughly in balance. Moving it up to encourage people to stop looking for work; and deferring any increase in the UBI to encourage them to seek the work on offer as wages rise, when the labour market tightens. A deferral should never result in the UBI falling below the poverty line. If the UBI is at the poverty line and there are jobs going unfilled, this is a signal that the value of the jobs to the community does not warrant them being performed. If they are valued, people should be prepared to pay the higher prices necessary to pay sufficient wages to attract people to do the work.

Depending on their circumstances, some people may be happy to live on the UBI and do other things with their life (care for family, pursue a simple life, engage more widely in the community, learn new knowledge and skills, pursue a hobby, etc). No one could complain that they are not doing paid work, as everyone of us would be getting the same UBI and have the same choice. Nor would they be a drain on the economy as, *at the point of balance*, by definition, there would be no work for them.

Some may just cut back their hours, opening opportunities for others still looking for paid work.

More people may move in and out of the paid workforce over their whole life, depending on the amount of the UBI, the work and pay available, and their own circumstances.

There would also be many who would continue in paid work for the money (and perhaps the prestige, companionship, and meaning) that it brings.

Regardless, each person would be free to make their own choice, without fear of falling into poverty, and without detriment to the economy, or society.

Of course, this is all theory.

We can test the theory if we increase the UBI slowly. This would allow us to observe any negative impacts, hold the rate and countermeasure them before moving it up again.

On the other hand, we do know the consequences of *not* moving the UBI up as our capacity to produce increases.

As automation requires fewer people, they will be left to find lower-paid work, or none at all, leaving them to subsist on 'the basics'. This, despite the economy having the capacity to produce what they were previously consuming, but which they can no longer consume because they no longer have the income they once had. This income allowed them to consume what other people were making. The capacity to produce is not reduced by their loss of employment, as that is assumed to be due to automation. If they can no longer spend what they once could, then demand will fall, and producers will cut back production, despite their ability to produce more. All round, not a great result. We should see, and can see, automation

as a boon if it eliminates boring, repetitive, and dangerous, and dirty jobs - *if we put in place a UBI to share the gains across the whole of society.*

Sharing Productivity Gains

As Geoff Crocker explains in his book⁴³, in high technology economies, productivity means that the wage component of output reduces. Earned income becomes insufficient to purchase the productive output of the economy, or to meet consumers' expenditure. This requires increased unearned income in the form of pensions, welfare benefits, dividends, consumer credit, and borrowings against assets (mainly housing). Increased welfare benefits push government spending into deficit and increase national debt to levels which can never be repaid. Increased consumer credit leads to unsustainable household debt which cannot be repaid out of the same declining wage share. This leads to default, the meltdown of a financial sector built on this debt, and economic crisis. Governments follow this by austerity policy, mistakenly trying to reduce the deficit, but thereby increasing poverty and inequality.

A UBI can go some way to stabilizing this situation by injecting debt-free money into the economy. However, there would still be a requirement to have mechanisms in place to fairly share the productivity gains with the *workers* in each enterprise. This ensures a continuing role for unions.

The gains may be shared in the form of higher wages and/or reduced hours (shorter work week). The working week has practically halved over the last 150 years in the Western world (from around 70 to 35 hours/week)⁴⁴, even as output has soared. There is no reason this trend cannot continue. As well, there is scope to bargain for job share, mutual flexibility, work from home, better conditions, and improved safety. But that too is outside the remit of a UBI.

Managing Moral Decay

Despite a UBI's obvious benefits, some people worry that we will still end up with moral decay, with many people sitting around doing nothing, getting drunk or high on drugs, or sitting in their bedrooms playing video games.

Perhaps a few people may behave in this way for some part of their life; but if they are putting little in, they will get little out... and they will be getting no more as a base than anyone else is receiving. Why should the rest of us care if that's all they want to do with their one crack at life? At least, if some people do spend their UBI unwisely in one week, the next week there will be another payment to keep them going.

Even so, this sort of behaviour needs to be considered in context.

Being Poor is Hard Work

Imagine if you have no money to do anything or go anywhere. Imagine if the only work available pays barely enough to survive and every dollar you earn, reduces your welfare benefit, sapping your incentive.

It's well and good to say people should just work harder to get ahead. Obviously, every person who makes it can show their upward path. What most fail to recognise is the enormous amount of luck involved. At many junctures, things could have gone the other way. The truth

⁴³ Crocker, Geoff. *Basic Income and Sovereign Money* (pp. 16-17). Springer International Publishing. Kindle Edition.

⁴⁴ <https://ourworldindata.org/working-hours>

is, the higher you go, the fewer jobs there are. It's a pyramid with a big base. Most people simply bounce around, never getting the break they need, despite their talent and hard work. It's not as though everyone can move up... the jobs on the bottom still must be done, and someone must do them.

For those bouncing around at the very bottom, just getting around from job interview to job interview takes time and money. Finding your next meal and paying the bills is hugely stressful when the money has run out. Which can and does happen regularly for people living pay cheque to pay cheque, whose employer lays them off due to a fall in sales, or relocation, or staffing dispute; or they simply fail to get a shift; or they have to look after a child or parent on short notice, or have an accident, and with no leave must lose pay, or even their job; or their car breaks down and with no money to get it fixed they have no way of getting to work, etc.

This is not to deny that some slack off and/or are addicted to drugs, alcohol, gambling, or computer games. Yet, if you have free time and not much money to do anything with it, [the fact that some people resort to various forms of escapism is hardly irrational](#) – though it may send them into a downward spiral.

The better measure is to see what people do when they have *both* the time, *and the money* to usefully employ and enjoy it... *basically everyone living off a passive income above the poverty line*. Most people in this situation find useful and meaningful things to do.

A UBI offers the ability to usefully employ your time when paid work is not available; or because of caring responsibilities, or health or age issues, you cannot do paid work; or you'd just rather do something that you consider to be more meaningful in your life while living on the basics.

A recent research study in Vancouver Canada was conducted on homelessness by a non-profit group and the University of British Columbia⁴⁵. For their study they eliminated people with an active drug addiction and chose 115 at random. 50 of those 115 persons received a cash payment of \$7,500 and the other 65 were the control group who received nothing. The 115 people were ages 19 to 64 and had been homeless for at least 6 months.

After 1 year: The 50 who received the money moved to stable housing within the first 3 months. All 50 managed their money well. 52% of their money was spent on food and rent; 15% on medications and bills and 16% on clothes and transportation. *Spending on alcohol and cigarettes went down by 39%*. Many retained \$1,000 after the first 12 months. 70% were food secure after 1 month.

The researchers concluded that we make many assumptions about how poor people spend their money and their motivation, most of those assumptions are wrong.

As the study also notes, most people grossly underestimate the current cost of the status quo.

The average cost of shelter services, and social services for the homeless in Canada is \$55,000 a year for one person. By giving those 50 people \$7,500 in cash, a total of \$405,000 was saved.

There is no reason to believe that people in Australia would behave any differently.

⁴⁵ <https://dailyhive.com/vancouver/ubc-homelessness-study-new-leaf-foundations-for-social-change>

Regardless, by starting small and increasing the rate gradually over several years, we don't need to guess what may happen. We can see what happens and take corrective action as necessary, or more likely speed up the increase in the UBI as we observe the positive benefits it generates for individuals, business, and the community.

OPPORTUNITY COSTS

There are, of course, opportunity costs (what else the *new money* could be spent on). These are discussed in [APPENDIX XIII: OPPORTUNITY COSTS](#)

In essence, all other ways of issuing new money entail sectorial interests receiving money to the exclusion of everyone else. It is argued that a UBI should take priority among alternative ways of spending the new money, as it alone ensures the survival of every person, and allows every individual to make their own choices – in keeping with democratic principles.

A UBI IS NOT A SILVER BULLET

Personal Factors

Of course, there are many personal factors that also need addressing, such as: a lack of formal education and life-skills, growing up in a culture of dependency, health issues, addictions, etc. These too may have their own systemic causes, which could also include a lack of money leading to stress that triggers negative behaviours (such as family abuse and drug taking).

As part of the solution, we will need to provide people who have never had the benefit of a strong support network, the tools & training to help them manage their lives. Perhaps a budgeting app associated with the UBI (under their control), as well as financial and relationship counselling, parenting and negotiating skills, guidance in good nutrition, as well as ongoing help with mental health and addictive behaviour, etc. to build both health and their self-esteem, vital for securing work when they are able to pursue it.

Importantly, by introducing the UBI gradually, this will also give people and businesses with a vested interest in the current system, time to adapt.

Both the people themselves, and the charities and government services involved, can spend more time & energy on life-skills when they are not in survival mode; wondering every day how to feed the kids, find accommodation, pay the rent, buy petrol for the car to get to work, pay the power bills, & all the other concerns that daily assail people in poverty.

For many of us, such concerns never arise. We can spend our mental energy on other more worthwhile endeavours: thinking about what training I should do to get a promotion, or spending my spare time learning a new skill, or improving my health, or doing stuff just for fun, or wondering what new venture to start, or how to improve my home, or where will I go on holidays, and the thousand other things that can make life more enjoyable & interesting... and then set about doing them: because *I have both the time... and the money.*

Supply of Public Goods and Services

To the extent that money is an issue, a UBI will simply address the demand side.

We still need to ensure supply of sufficient health and education services, and housing, as well as aged and disability care, and much else. Under the proposed policy, this can be done without the UBI draining government revenue.

At the same time, the more we provide on the supply side, the lower we would need to pitch the UBI to meet each person's basic needs.

This policy proposes that, in setting the UBI, the UBI should have regard to the level of basic services provided by the government at any time, eg healthcare, education and housing.

Sharing Productivity Gains

A UBI can share some of the gains, with its benefits flowing mostly to those who have no paid work, or are low-paid.

As noted earlier, we also need to look at how to better share the available work, so we are not left with a few highly paid employed and many living on the basics. This is best done by reducing the 'working week'.

As well, there remains a need to fairly negotiate the shares between workers and capital.

These issues are outside the scope of a UBI

UBI MUST BE OUR PRIORITY

The UBI should not be enacted as a 're-distribution', or as an excuse to 'improve other systems'. It ought to be accepted that having enough to live on is a *birthright* – the only constraint should be if society has the resources.

No Need to Change Other Systems

There are major problems with the existing systems of welfare, taxation, banking and government spending, and energy production, and the myriad other things. We should not be trying to solve them as part of introducing the UBI. The UBI should be seen as fundamental in its own right.

No Redistribution Required

At least in Australia, we have the resources. Though we would need to stage the increase in the UBI to allow businesses to gear up without creating shortages that drive inflation.

As this paper shows, we can pay a UBI without taking anything from anyone; without increasing taxes, borrowing, or inflation.

UBI Offers a Third Way to Create and Inject New Money into the Economy

As the purpose of a UBI is ensure every person has the money they require to meet their basic needs to survive, it must always take precedence over the other ways used to inject money into the economy.

The priority then needs to be decided between the other ways to inject new money:

- a) government deficit spending to meet public needs, and/or
- b) bank lending to meet borrowers' needs.

There is a never-ending debate about which of a) and b) should take priority. In general, if a policy is supported by the majority of people impacted by the policy (positive and negative), it should take precedence. This is discussed in more detail in [APPENDIX V: THERE IS NO GOVERNMENT DEBT BOMB](#)

The money created to pay for the recent JobKeeper and JobSeeker coronavirus supplements has kept people fed, clothed and housed, businesses functioning, and people employed, or at least

in a holding pattern. Together they are doing their job. Though we could have done more, and still could do more.

This money has been created by the RBA buying Government Bonds. It is not owed to anyone. It does not have to be repaid. It does not even have to attract interest. Let's not fall into the old trap of thinking it is like a household debt. It's not. It's nothing more than an entry in the RBA's computer.

Why should future generations have their spending curtailed to pay a tax that simply reduces a number in the RBA's computer?

What is true of JobKeeper and JobSeeker supplements is true of the UBI.

The only restraint on the increase in the amount of money on issue is the resources required to supply the goods and services the money can buy. Too much and we get inflation. Too little and needs go unmet. We are currently in the second situation, despite some price hikes due to supply constraints driven by the pandemic.

To not spend money when the resources are available is to impoverish future generations.

As an example, in future, we will need more aged and health care facilities as lifespans increase and the proportion of our aged population grows. Spending money now to build facilities and train staff to keep pace with this requirement should be the determining factor. Not the artificial debt that represents the funding. That 'debt' may sit for all time on the books of the RBA without impacting future generations who will all benefit from the facilities and trained staff that it funded. It simply represents the money value of the assets at the time the money was spent. In all likelihood, if the money is well spent, the value of the assets will increase over time. The aim should be to write the asset off over its life, so both the loan and the asset fall to zero at the same time.

[The following paragraph was written before the current bout of inflation made much worse by the Russia-Ukraine war which has led to energy and food shortages.] If inflation does emerge, (against the long-term trend of low inflation driven by globalization, automation, and virtualization, now multiplied by artificial intelligence), THEN we can up interest rates to curtail borrowing for other purposes. Once rates get back to 'normal', if that is not enough to cool inflation, THEN consider imposing a new broad-based flat % levy on spending to take money out of the 'real economy', as the UBI is pumped in.

These actions would have zero to do with repaying debt, and everything to do with simply reducing the amount of money circulating in the economy to mitigate any *demand* pressures driving inflation.

From the point of view of the UBI, we only need to worry about demand-driven inflation.

If inflation is due to supply shortages and/or increases in import costs, we should do *nothing* to mitigate the price rises - as they are the market providing the right signals to constrain demand.

Currently, there is no danger of wage-push inflation due to weakened unions and ongoing automation and virtualization, and even continuing globalization. At some point, the UBI may create labour shortages that drive up wages in some sectors. But that should be seen as a positive, reflecting the relative value of the work. A UBI should help to forestall a general wage-price spiral as it would provide an effective wage rise (especially for low-paid workers), at no cost to employers, hence no reason to increase prices.

Inflation driven by cartel price increases can only be managed outside the market.

That said, the difficulty for the RBA is how to distinguish demand driven factors from supply factors from cartel behaviour, as well as manage 'inflation expectations'.

A UBI offers a way to limit wage-push cost inflation where unions agree to mitigate wage claims in return for employers mitigating price rises.

APPENDIX VI: FUTURE PRIORITY FOR CREATING AND ALLOCATING MONEY

If other policies result in an increase in costs that would push the UBI below the poverty line, the UBI must be increased to stay above the poverty line.

Any inflation impacts would then need to be addressed via government spending and tax and/or increases in interest rates, depending on the circumstances.

If this becomes our guiding principle, we can ensure a more cohesive and productive society, with less disruptive business cycles.

CONCLUSION

To have sufficient money to meet our basic needs is fundamental in a world where access to resources is restricted by property rights, money and the system of paid work. It needs no other justification.

While a UBI is not a silver bullet, it solves the demand side of *systemic poverty*.

Over time, once we get it above the poverty line, the UBI can also become a new tool to keep the labour market in dynamic balance - as more of our goods and services can be supplied via automated processes. The new UBI Authority can take primary responsibility for keeping the labour market in balance, while the RBA/APRA focuses on inflation by managing interest rates and serviceability to curb borrowing if demand becomes excessive.

By paying the UBI with newly created money we can avoid increasing taxes and borrowing, or taking money from other programs. This leaves open the opportunity to raise taxes for other needed public goods and services, such as child, disabled and aged care, and health, education and housing needs.

By offsetting the UBI against welfare benefits, and recovering it on a sliding scale from earned income, we can ensure the net benefit goes directly to the people who need it most. Which could be any person, at any time, if they lose some or all their earned income for any reason, or while they cannot do paid work due to age, incapacity, or carer responsibilities.

By starting small, and increasing the rate slowly over time, we can introduce it with low risk.

It would mean that we would have access to potentially four sources of income:

1. **UBI** paid to everyone *tax-free* to cover the basics, as well as a form of income insurance against increasing employment insecurity, & to partly compensate stay-at-home carers, and to support people learning, and 'starting up'. And, once it is above the poverty line, it can also be used as a tool to balance the labour market.
2. **Taxed earned income** on top (for the 50% of the population at any time who can work to add to our goods and services) - to benefit themselves, their family, and their community.
3. **Welfare** to cover additional costs of living in specific circumstances (eg long term incapacity, nursing home support, etc.; and perhaps childcare based on taxable income)
4. **Passive Income** for those lucky enough to have savings and/or family support

Today, uncertainty and fear remain in many sectors, with COVID impacts and the prospect of automation and decarbonisation adding to the stresses of the gig-economy.

With interest rates at all-time lows (at the time of writing) and many sectors with spare capacity (aside from temporary shortages created by the pandemic)...

Now is the time to begin introducing a UBI.

A UBI provides a floor to stand on, not a ceiling to achievement. It gives more people more freedom to lift themselves up, in the process creating a more vibrant society.

APPENDIX I: KEY DEMOGRAPHIC AND ECONOMIC STATISTICS

The following statistics have been produced using the [2016 census](#), and other sources (referenced in the links), adjusted by 'educated' guess to 2021 numbers. They are only used for indicative purposes. We don't need exact numbers, as the proposed phased introduction of the UBI will allow us to test the assumptions with relatively low risk.

Population in Australia 2021

- 25,500,000 Total Population
- 5,500,000 children under 18
- 16,000,000 18–65
- 4,000,000 over 65

Of those 18–65 (roughly)

- 13,000,000 are in the workforce
- 1,500,000 care for dependents without pay
- 1,500,000 are students or other dependents

Key 2021 Economic Statistics

- [The size of the Australian economy is/was around \\$2 trillion pa.](#) (pre-Pandemic)
- [75% of people earn less than \\$1,512/week \(around 150% of median personal income\)](#)
- [The Australian Government decided that \\$750/wk](#) is the minimum that everyone thrown out of work due to the COVID-19 pandemic should get to survive... *if they still have a job to go back to.*
- If you didn't have a job it was [a paltry \\$281/week](#) for a single person, [increased to \\$556/week with the addition of the JobSeeker supplement.](#) Since reduced to a paltry \$310/week at the end of Mar. 2021
- [The maximum single pension is \\$472, with around 2.2 million pensioners](#)
- [The poverty line is around \\$490 for a single person. For a couple with 2 kids, it is \\$1000.](#)

Poverty in Australia in 2020 (pre-Pandemic)

In total there were around 2 million adults, with around 1 million children, living in poverty in Australia at the start of 2020. This represents about 12% of the population; but 17% of children (mostly in single parent households) and 33% of pensioners (mostly renters). Most of the rest are single parents (mostly women), and a small percentage of people who are long term unemployed and disabled. Of this group, 24% of Aboriginal and Torres Strait Islander people living in cities live below the poverty line, while for those living in remote areas, the number is 54%⁴⁶. The rates of incarceration for indigenous peoples are ten times the rate for non-indigenous⁴⁷.

These percentages have not changed substantially for decades, though the people in the groups have - indicating a systemic problem.

⁴⁶ https://www.acoss.org.au/wp-content/uploads/2018/10/ACOSS_Poverty-in-Australia-Report_Web-Final.pdf

⁴⁷ <https://www.theguardian.com/australia-news/2021/jan/22/indigenous-prison-population-continues-to-increase-while-non-indigenous-incarceration-rate-falls>

Tax And Welfare Relative to Other Economies

These graphs were taken from an article in [The Australian](#), based on OECD data.

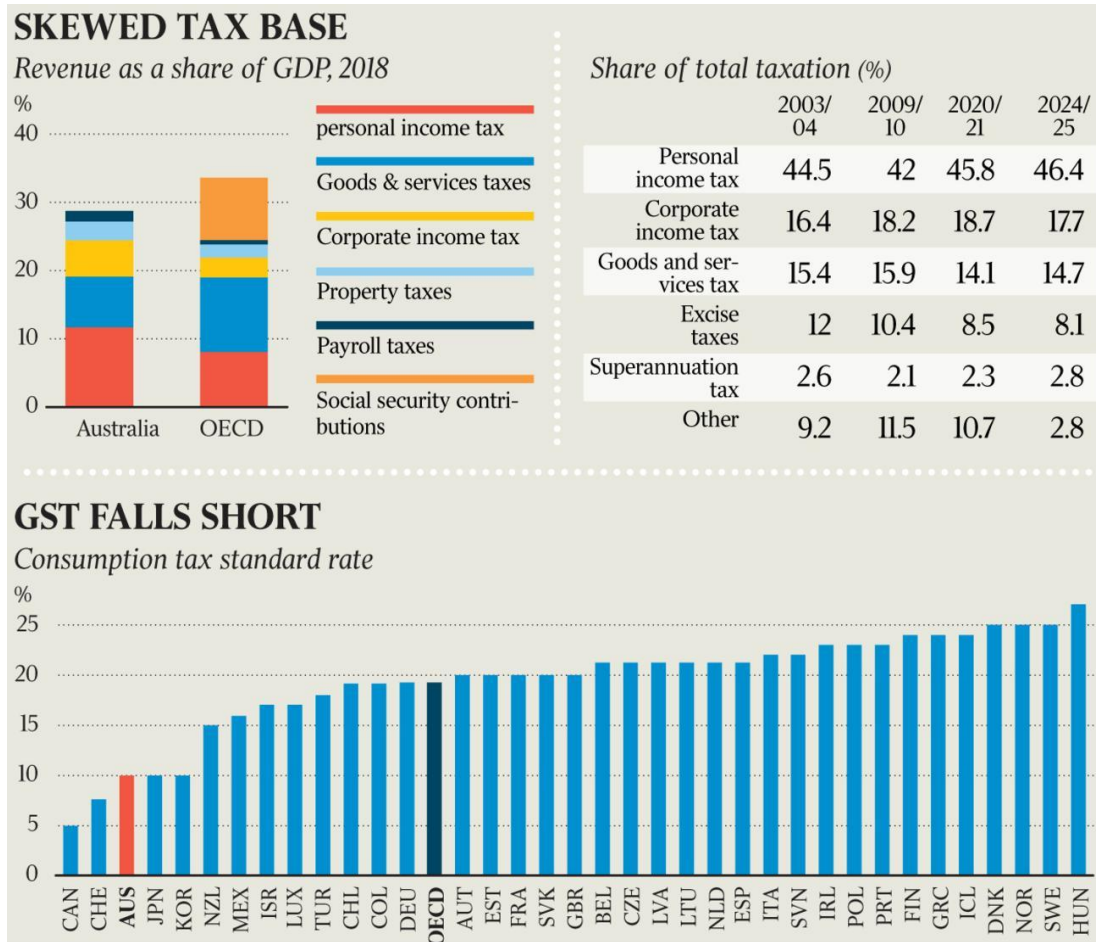


Figure 4



Figure 5

APPENDIX II: RESEARCH ON IMPACT OF COVID-19 SUPPLEMENTS & SOME PERSONAL STORIES

Swinburne and Uniting Research

Research just published by Swinburne University and Uniting: “No Fighting Chance. Impacts of the withdrawal of COVID-19 income and tenancy benefits⁴⁸” demonstrates the need for additional support to alleviate systemic poverty in Australia. While the recommendations are made in the context of the current system, they also offer compelling evidence of the need for a Universal Basic Income that can be targeted to the neediest.

Key findings

The research found that the Coronavirus Supplement payments, along with tenancy support measures had overwhelmingly positive impacts on the lives of consumers, with 80% of respondents reporting that their life became easier overall.

Delays in evictions had the highest level of positive impact, with all consumers experiencing improvements in their life (71% said it made life a lot easier). Among people receiving Coronavirus Supplement, 89% reported an overall improvement (52% said it made life a lot easier).

Predictably, as governments cut back these support measures, consumers experienced significant negative impacts on their lives, with the vast majority of respondents reporting impacts across multiple areas of life. The loss of payments impacted the ability to eat well for almost two thirds of consumers. The same number (63%) reported impacts on mental health, with financial security (57%) and housing situation (44%) following closely behind.

Parents also reported the withdrawal of services having a negative impact on their ability to care for their children.

Those receiving the Coronavirus Supplement reported the highest impact on their ability to eat well (15% of recipients).

Those receiving delays in eviction had the highest frequency of mental health impacts as a consequence of losing this support (15%).

When we looked at the link between service demand and the rates of Coronavirus Supplement at different points in time, service demand was at its lowest at the peak of the Supplement (at \$550 per fortnight), and steadily climbed as the Supplement gradually decreased.

Overall, the data presents compelling evidence of the positive impact of the income and housing support measures provided during the first year of the pandemic, with life improving for the majority of consumers. Consequently, when these supports were withdrawn, it impacted people’s resilience and weakened their ability to meet basic needs, keep safe, secure housing, improve their health and care for children and other dependents.

The findings of this research support numerous other studies in the area and demonstrate the strong interconnection between adequate income and housing support and an individual’s ability to meet basic needs for themselves, their family and children.

⁴⁸ <https://www.unitingvictas.org.au/wp-content/uploads/No-Fighting-Chance-Final-Report.pdf>

Opportunities for change

The report also identified a number of ways the government can address the concerns:

- Introduce a permanent increase in JobSeeker and Parenting Payment rates to ensure that the income support system provides an adequate safety net for individuals and families that rely on them.
- Benchmark JobSeeker to wages to reduce income inequality and give people a fighting chance in an increasingly competitive housing and employment market.
- Increase the amount of Rent Assistance provided to ensure that everyone around the country receives adequate rental support.
- Increase investment in social housing to improve the supply of safe, secure and affordable homes.

It is our contention that a UBI provides a better solution as it avoids the 'poverty trap' that higher benefits create as a disincentive to take low-paid jobs.

Personal Stories

These stories reflect real-life tragedies that the UBI could mitigate.

Escaping family violence in regional and rural areas[ABC By Grace Jennings-Edquist](#)

Lillian* struggled to find support to leave her abusive marriage in rural Queensland.

She had just given birth to her first child when her husband's behaviour became abusive.

"The day I came out of hospital with my newborn baby, my husband told me to get my fat arse onto the exercise bike to lose my gut," says Lillian, who was living in rural Queensland at the time.

"He'd go months without talking to me; he was slamming doors, punching holes in cupboards — his eyes would go black when he would scream at me."

When her husband picked up their son and flung him across the room because he was crying, Lillian resolved to leave him: "I thought, enough's enough," she says.

But escaping a family violence situation [can be particularly challenging for victims living in regional or rural areas](#), as Lillian learned firsthand.

We spoke to her about how geographic and social isolation, combined with her husband's access to guns and a shortage of emergency accommodation, made it harder for her to leave.

Isolation and financial control can keep women trapped

Lillian moved to central Queensland from Brisbane with her husband shortly after their marriage so he could work on the mines near his hometown.

With no friends in the area, she felt geographically isolated and says her husband took advantage of their remote location to socially isolate her, too.

"My husband didn't like me calling my parents back in Brisbane; he said it was going to cost too much money and we couldn't afford the phone bill," she says.

"So I ended up trying to call my mum secretly while he was at work, or she would call me so he couldn't see it on the phone bill."

Lillian's husband also controlled her movements by restricting her access to the family's finances, ensuring she only had \$20 each week for petrol, and couldn't travel to see her old friends and family.



Figure 6

Lillian's husband's abuse included financial abuse; he restricted her access to family finances and only allowed her small amounts for petrol and groceries. *(Pexels: Robert Bogdan)*

While Lillian was forbidden to make new friends, her husband was well connected in town.

"He grew up there, he went to school there. He had people there that he knew right from when he was two, so everyone knew him and his whole family," Lillian says.

He was also a master of putting on a friendly face to those outside the family.

"He could be screaming at me and hurling abuse at me and the kids two minutes before we had visitors — and then after the doorbell rang he'd be all over me, hugging and kissing me. He just looked like this great guy to everyone else."

With guns in the house, the fear took on a new dimension

Lillian feared her husband, but she feared leaving him, too.

A former roo shooter, her husband kept firearms in the house and used them to threaten the family into silence. This is a tactic that's more common in non-urban communities, and makes [women in regional and rural areas more vulnerable to serious harm and death](#), researchers have found.

"He had eight guns or more. Some were legal, but three were sawn-off shotguns that were illegal, which I reported when I left him," she says.

Lillian remembers one particularly terrifying evening when her husband began terrorising the family cat with the gun.

"He made the kids watch. He was shooting at the cat, the cat was screaming and trying to climb the tree," she says.

"Later, my son said to me, 'Do you remember when Dad was trying to kill the cat? He wasn't trying to kill the cat. He was saying, 'If you ever tell [people] what I'm doing, this is what I'll do to you.'"

How Lillian left

With limited finances and few social supports, it wasn't until her kids reached school age that Lillian found a way to escape.

"The only way I managed to figure out how to get out was to open a school savings account for the kids, and I told him I was putting \$2 a week into their account," she says.

After almost 18 months, she emptied that account and pocketed it, along with \$200 her husband had allowed her for the family's groceries.

"Three hundred and seventy-six dollars, that's what I had to leave with. And out of that, I had to pay for a removal truck, and petrol and food to get myself and the kids to Brisbane."

The night before leaving, Lillian covertly packed bags for herself and the kids and stored them in the roof.

"The beds I had actually unscrewed the night before," she says.

"When I put the kids to bed I told them not to move because if they moved, the beds might fall apart and he would find out."



Figure 7

Lillian surreptitiously packed bags for herself and her kids and stored them in the roof, ready for their escape. (Pexels: Vlada Karpovich)

When her husband left for work the next day, Lillian stored the kids' furniture into the removal van — then packed the kids into the car and drove 14 hours to her mum's place.

"I didn't tell her we were coming until about an hour before we got to Brisbane," she says.

"I called her from the side of the road in Gympie and said, 'We're coming in an hour, put the jug on.'"

Getting help in the city

In central Queensland, Lillian had not been able to find financial support services for family violence victims. And while the Salvation Army did offer her one night of emergency accommodation, she needed a more stable long-term base to start a new life.

"I think that was the truth of most of the women out there who were going through that [family violence] — they didn't have anywhere to run," Lillian says.

That's consistent with research by the Australian Institute of Family Studies, which found that [access to support services in non-urban locations is compromised](#) by their scarcity and the distance that women often have to travel to reach them.

In Brisbane, Lillian found a domestic violence service that offered her some financial help, as well as free counselling that she and her children desperately needed as they recovered from years of abuse.

"I joined a counselling group, which was great because there were other women there who were like-minded," says Lillian.

Living at her mum's, Lillian was also able to start working and saving again.

"All of a sudden I had friends. And I started working and I had my own money. I started making my own choices and decisions," she says.

"And although I was always scared he would find us ... I was able to get more support, definitely, once we went to the city."

**Name changed for privacy reasons.*

This piece is part of an ongoing series documenting the lived experience of family violence survivors. You can find other stories [here](#), [here](#), and [here](#).

How a Social Worker Sees Poverty

While the following story is from the US, it reflects the reality in Australia, as evidenced by this graph:

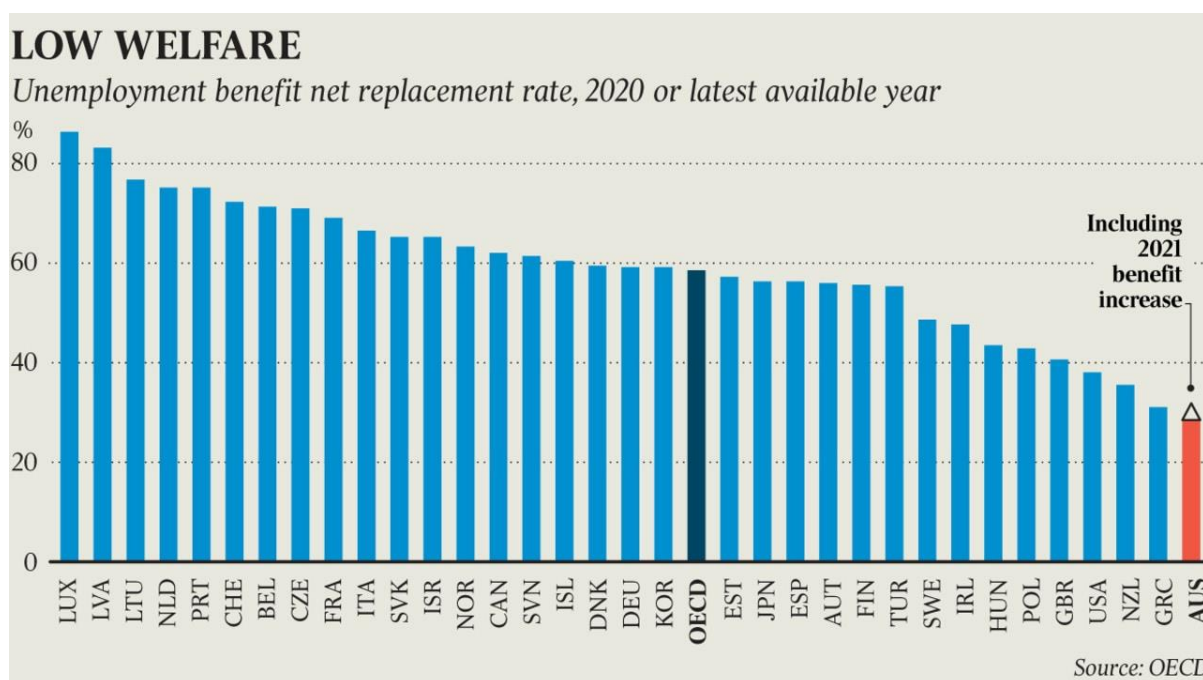


Figure 8

Listener responding to interview of [Mickey Kaus by Andrew Sullivan on The Weekly Dish Podcast](#):

For the past 25 years, I have worked as a mental health counsellor for a community agency in the Cleveland area. All of my clients, most of them women (white, black, and Latino) are low income (or to use Mickey’s term, “on the dole”). I don’t know how many hundreds of people I have worked with over the years, but I have never met a Welfare Queen. Nobody “on the dole” lives comfortably, unless they are lucky enough to have extended family to add to their support, or are also involved in some illegal activity — but that’s not comfortable. If they don’t work, it is not because the government is giving them so much money that they don’t have to.

Poverty is a trap that is very difficult, nearly impossible, to escape these days. Only “the fittest survive” and somehow work their way up to a living wage. Mickey and others say that statistics prove that Clinton’s Welfare Reform was a success, but I guess I just saw the people who didn’t succeed. I wonder how many former welfare recipients under Clinton earned a LIVING WAGE.

From my perspective on the ground, the “doles” available to those who qualify are: food stamps, Ohio Medicaid (pays my salary!), Section 8 or public housing, reduced rates for utilities, and day care subsidies. You have to work. You can get an earned income tax credit once a year. Your income must be very low to qualify for any of these “benefits”, and it’s as time consuming and stressful as working a full-time job to maneuver the bureaucratic nightmare to quality.

In the Cleveland area, the waiting lists to get housing assistance is about five years, and then you have to win in the housing lottery. The average low-rent apartment is \$700 to \$900 a month, which is very difficult to manage if you have a minimum wage job and are only earning about \$1000 a month. If you get behind in rent, you get evicted, and this makes it so much

harder to get another apartment unless you can find an unscrupulous landlord who will forgo the credit check, but will never make repairs.

Food stamps are rarely enough, so you supplement at food banks. It takes months to get a day care voucher and you have to have a job before you can get one, so you better have child care while you are waiting for the voucher so you can keep the job that you need to get the voucher.

Then there's the problem of getting to work if you have a job. Public transportation in the greater Cleveland area is anything but convenient. I have clients who take several buses and over an hour to get to my office, even if they live only a few miles away. Most try to get cheap cars (usually with their tax refund), but they always have to pay many times what the car is worth because their credit is poor. When the cars die, which they inevitably do, they have to miss work and are likely to lose their job. Often, the car is repossessed before it dies because they can't afford the ridiculous payments.

If you lose your job, you have to start all over again. But your work record looks bad because you can't keep a job very long. So it is harder to find a job. If you are a single mom with a couple of kids (and it is a rare single mom who has more than two kids, unlike the stereotype that they are having lots of kids so they can get more money "on the dole"), it is very unlikely you are getting any child support because the fathers aren't faring any better. The men often have children with different mothers and there is no incentive for them to work because their income goes to these women "who are screwing them over."

So the men work under the table if they can. Many of them have criminal records for minor crimes (drug offenses), which also makes getting employment more difficult. The good factory jobs with union wages for unskilled middle-class men that were plentiful during the '50s, '60s, and '70s began to go away in the '80s, and Cleveland became part of the Rust Belt. Now, as the Trump base knows well, "all the jobs went to China."

So now Biden's Recovery Act is going to give families \$350 or \$250 a month per child with no strings attached. (For a year, anyway.) You may think that these people don't deserve the help and we can't afford it (unlike the "job creators" who "needed" tax cuts that were supposed to provide my clients with such great jobs that THEY wouldn't need government assistance). Or you may think that the money will discourage them from working.

But I see it differently. With that money, maybe they CAN work and be more productive. Maybe they can use it to pay their rent so they don't end up with their kids in a homeless shelter if they don't have a supportive family. Maybe they will use it to make payments on a GOOD car that won't die a month after they buy it. Maybe they will be able to keep a job if they have reliable transportation. Maybe they will use it for child care, or if they are lucky enough to live with a partner who has a "working class" (low paying usually) job, they won't have to go to work, also, and can care for their young children themselves and give them a good start in life.

Yes, some of my clients will blow the money on some immediate gratification luxury. But if you can meet your basic needs month after month, because you can add this child subsidy money to the inadequate amount that you have been able to earn through working your low-paying job, you can begin to understand how to use money more carefully. If you never have enough money and you are always robbing Peter to pay Paul, you can't learn to spend it wisely.

My impressions are "anecdotal," a compilation of the same stories that I have heard over and over again for 25 years. Poverty keeps my clients and their children depressed, anxious,

traumatized, more susceptible to substance abuse, violence, etc. Money would be far more useful than therapy in most cases. It's about time we started valuing children more than corporations and the wealthy. I'm for any plan that will raise families out of poverty. We need to reform welfare reform.

My work has taught me that nothing is black and white, people are extremely complicated. I am not a left-wing socialist, or a bleeding heart "privileged elite" white person trying to assuage my guilt. I have to be a realist. And I applaud Biden's agenda that is helping the poor and middle class and I think they are doing it the right way.

The Same Story in the Suburbs of Australia

[In one of Australia's most disadvantaged suburbs, hunger is one of the main pandemic aftershocks](#)

Why when we have plenty of food and a perfectly good distribution network called 'shops' are people in Australia starving?

The answer is simple: they have no money to express their needs in the market, so they are left to beg for charity.

APPENDIX III: CONTEXT FOR UBI

This policy aims to eliminate systemic poverty.

While many may agree that this is a laudable goal based purely on the social and economic benefits it offers (lower crime, less demand on government services, less domestic violence, increased economic activity, and the other benefits identified), there is also a moral imperative.

The justification stems from the inventions of ‘property rights’, ‘money’ and the system of paid work, as they impact each person’s interest in the commons.

Defining the Commons

The commons are our collective real wealth: our natural and human resources; as well as our physical infrastructure, together with the technological, organizational, legal, cultural and knowledge resources of the nation (and humanity more broadly), together with all property rights and money, and the economic systems they underpin – built up across all time and all nations.

Together, this commons delivers all our goods and services. We cannot survive without it.

Standing on the Shoulders of Giants

[Even in medieval times](#), it was recognised that in all our endeavours we stand on the shoulders of giants. Today, more so than ever.

Humanity has succeeded, not because it competes better than any other animal, but because we excel at collaboration. Not only with our contemporaries, but across the ages, as our collective skills and knowledge are passed from generation to generation.

I once managed a Toyota manufacturing plant, and sometimes asked in seminars: how many people it takes to make a modern car in a modern factory? From one perspective, very few, as more and more automation is employed... which was the answer I always got!

But taking a wider look, it takes hundreds of millions across the span of human history.

To make a modern car, many thousands of people have to *design, build and operate* the factory that makes the car (which is ten times harder than designing the car!); and the same with factories that make the machines that create and assemble the parts into the finished product; and of course, those machines too have to be designed and built in other factories comprising different machines, and so on down the chain; ultimately including all the machines required to mine the ore, and extract the oil, and farm the fibre, and then the machines and factories to process these raw materials that feed the whole supply chain that includes the design, manufacturing, and operation of all the trucks and ships and planes that move the materials, parts and finished products into, through and out a multitude of warehouses around the globe, just-in-time to where they are needed. And that’s only the start. We also need people to design, build and operate our power generators and grids, and communications and water and sewage and chemical facilities and networks. Just designing, the chemical composition of the different layers of paint that go on the car, and then building and operating the factories that make the paint is an enormously complex task. All these people must be taught all the knowledge they require to do their work, gleaned across the centuries by mathematicians and scientists and researchers and inventors and artisans of all sorts; including knowledge from entrepreneurs and administrators about how to set up and manage each organization, all of

which requires teachers and schools and universities and tech colleges; and ALL these people must be fed and watered and housed and kept in good health, with cities built to support them all. And then all the people who build and work in those cities must be fed too, and clothed, housed and educated, and cared for, along with all the people employed in the associated service industries (accounting, law, insurance, etc); as well as the people working in the government departments that regulate civil society, to ensure justice, and safety, and to provide essential services, etc.

It all works together in collaboration, or not at all.

Competition on the other hand represents a tiny fraction of human endeavour. It occurs mostly in the mind, as each customer in the supply chain chooses between alternatives. But once the choice is made, the whole downstream supply chain is called into action, to work together to fulfill their choice.

This is the magic of the market, and our other organizational and cultural inventions.

Everything we have today depends upon the resources that existed before our birth, as well as all those that are supplied in abundance during our life by everyone else.

This is our common heritage. It is referenced by Peter Barnes in his book *Ours: The Case for Universal Property* where he traces the idea back to Thomas Paine's 'Agrarian Justice'.⁴⁹ It's nicely summarised in Barnes article in *Economics*⁵⁰

You can then come along, and if fortunate to be born (or move) to where resources are abundant, and even more fortunate to have the money and support networks to access them, you can build a giant empire on top by writing a bit of code and employing some really smart people to create a new wonder: Facebook, or Google, or Apple, or Microsoft, or Amazon, etc.

However, no matter how great your achievements are, what any single person adds is minuscule compared to all that is added by the rest of humanity (past and present), not to mention the natural world that underpins it all!

No matter how talented and driven Mark Zuckerberg, or Larry Page, or Steve Jobs or Bill Gates, or Jeff Bezos may be, none could have survived more than a few days if he had been abandoned at birth. From a baby, each has relied on others to feed, clothe, and house him, and especially to educate him with language, and the knowledge of his forebears and peers. Even with all that knowledge, if anyone of them had been left alone as an adult on the proverbial desert island, he could not have created even a pencil, or the paper to write down his ideas; let alone create the organization that each built. None of them developed all the knowledge, or made the equipment, to build and distribute and operate the computers and fibre networks and routers and protocols, or the power stations and electric grids, and rockets and satellites and everything else (as described in the car example, and so much more!), upon which his invention sits. Nor could they have done it in a different time, or different place, where none of these resources were available.

⁴⁹ Barnes, Peter. *Ours* (p. 22). Wiley. Kindle Edition

⁵⁰ <https://economics.com/a-new-capitalism-the-case-for-universal-property/>

As some of them will admit, luck also plays a huge part: not only being born in the right place, at the right time, to the right parents, but perhaps meeting the right person at the right time who helped to advance their enterprise; or the many other quirks of fate that could have gone the other way. If IBM executives had negotiated a different contract, Bill Gates would not today be one of the richest men in the world.

There are millions more people who are just as brilliant, with great ideas, and who work just as hard, but [who fail to get the big breaks](#).

That's life.

This is not to deny the brilliance and determination of the people who have created these new resources, nor the enormous value they have generated (and some disbenefits too)!

It is simply to recognise that the commons exist prior to birth, *and during your whole life*, without which no one could achieve anything but day to day survival on the savannah, and even then, that required ancestral knowledge and the support of the tribe.

Property Rights

It is also important to recognise that very little of our collective resources remain in the traditional commons. Most have now been privatised via individual property rights.

Where once possession was evidence of your right in any property; over the centuries our rights have been increasingly codified and expanded. Including more recently, significant bits of pure knowledge, as intellectual property rights.

The law, administration and enforcement that creates and maintains these rights, is now part of our common heritage too.

Money as the Record of Value

Along with private property, money is one of the most important inventions of the last few thousand years, which also forms part of our common heritage. Without it the whole supply chain could not function.

Money has no value itself. It is simply a *record* of value.

Unlike inches or centimetres which record length, there is no standard to set the value of a unit of money. Instead, like beauty, value is in the eye of the beholder.

Most value in modern economies is *priced* in the market. The 'standard' is set as buyers and sellers negotiate price. The ideal is when there are many buyers and sellers, each of whom have equal knowledge and power, within a regulatory environment and enforcement regime that limits fraud, coercion, and destruction of the commons.

No markets are ideal, but most work tolerably well. (Though I'd happily argue with anyone that financial markets and their derivative products are the bane of humankind!)

In markets where real goods and real services are traded, when a buyer gives money to a seller, they are not giving the seller anything of value. The money simply *records the value* of the goods or services provided by the seller to the buyer – *as agreed between the parties, using standard units of account*.

It is this agreement across all buyers and sellers within a community that determines the value of a unit of money - with one proviso:

The supply of units must keep pace with the productive capacity of the community. Too little money means needs go unmet and sales are lost, pushing the economy into recession, and even depression where deflation can take hold. Too much, and we get inflation.

Deflation advantages the holders of money over the holders of assets. Inflation does the reverse. Neither is ideal.

Assuming mild inflation, by the time the seller spends their money, they will have got back from the community roughly the same amount of value that they contributed when they produced and sold their goods or services to the original buyer. Having got out what they put in, they and society will then be square.

Money is simply the means to affect the trade of real value (goods and services) between different parties over time. The money itself is without value.

Restricting the Commons

Once, when the land and its bounty were available for all, each person could fend for themselves, in collaboration with their family and tribe.

With the invention of property rights, money and the system of paid work, that is no longer possible.

There are many who, by accident of birth, ill-luck in life, or even self-inflicted wounds, find themselves on the bottom of the pile without access to money, or rights in any property, or means to do paid work. Without money or property, they have no means of sharing in our common heritage - *no means of survival*. At least, not without the stigma and humiliation of begging as second-class citizens for welfare and charity; with millions still left in poverty.

Property Rights, Money and the System of Paid Work are human inventions.

By denying people access to the money they require to survive in the modern world, we are morally responsible for the suffering that results.

The current generation has not taken away this birthright to survive, but we can restore it.

Not by going back. But by creating a new birthright:

Restoring Everyone's Access to the Commons

There are two ways to restore access to the commons:

1. By granting everyone an equal share in our common heritage, sufficient for their survival. However, that would require the wholesale revision of property rights, or
2. Just as we use money to record the value of the goods and services we trade; *we can provide it to recognise the value of each person's share in our common heritage*, giving them the means to survive in the modern world – restoring their birthright to live as an independent human being, to build however high they can upon this base.

We can do this by paying a Universal Basic Income. This would provide the money required to ensure that everyone in a world divided up by property rights has the means to acquire their basic needs.

This policy adopts the second approach.

Along with Eva Cox and others, we could call it our 'Social Dividend', or as Austin Mackell calls it, the 'Fair Go Payment'.

As we have the capacity to pay it via newly created money; so, we must.

It is our moral duty.

Markets and The Commons

This section considers the advantages and limitations of markets.

It is relevant to our policy, as the UBI provides the money for all people to signal their basic needs *to the market... so it is important that we have well-functioning markets.*

The assumption of many people is that markets are the most efficient way to allocate resources, so they should be left free to operate without government interference.

Markets work because producers and sellers only need to concern themselves with their customers and immediate suppliers, and to some extent competitors. They don't have to understand their whole supply chain, and all the side chains, or the functioning of the cities, or the whole economy within which they operate.

And, if a business fails to provide what people want, at a price they are prepared to pay... it loses, along with their employees. Such failures allow for the resources of the business to be put to better use. This is good.

From remarks by Fund for American Studies president Roger Ream, in Washington, Sept. 13, 2021⁵¹:

...Adam Smith's Invisible Hand motivates a self-interested individual to "promote an end which was no part of his intention" and thereby serve the needs of others. This seemingly simple concept explains why there was someone at your neighbourhood coffee shop early this morning ready to serve you hot coffee, why a pilot spent years in training to fly you safely to Washington for this ceremony, and how something as simple as an ordinary lead pencil is the result of the peaceful cooperation of thousands upon thousands of individuals who will never meet.

However, markets cannot price externalities (things outside the market). Nor do they have an overview of society, as governments are supposed to have. In simple terms, they cannot alone protect the commons. They are also subject to human frailty.

The Nature and Impact of Market Imperfections

Unfortunately, over recent decades, many countries have been moving further from the ideal, as market power has been allowed to consolidate through mergers, acquisitions, and the

⁵¹ https://www.wsj.com/articles/adam-smith-invisible-hand-american-studies-economics-11631820986?mod=itp_ws&mod=djemITP_h

emergence of new technology platforms; and through the wind-back of regulations aimed at promoting competition, fair dealing, and protection of the commons.

It has also resulted in government actions that have privatized profits, while socializing losses. These interventions have most often been premised as [‘too big to fail’](#).

Another major problem that has emerged over the last few decades, is [the Piketty Problem](#): the growing gap in the shares of productivity gains going to capital and labour.

Countermeasures to Address the Imperfections

We don't need to give up on markets. The problem is not in the way that markets work.

It is in the failure to regulate and enforce compliance to *limit fraud, unequal bargaining-power and damage to the commons*. Quite simply, we have allowed our governments to become captive to sectional interests. To fix the problems in the market, we first must fix our governance problems. A topic for another day.

Neither a UBI, nor all the technology in the world, will change human nature. We will still require *systems* of *good* governance to restrain humanity's worst impulses (not magnify them!)

That said, markets are still the best way to allocate most private goods and services, so it is vital that people have the money they require to signal their basic needs to the market.

This leaves open the question of the nature of the participants: individuals, partnerships, companies, co-operatives, or other forms of collective interest in the production process. Again, the preferred structures are a topic for another day.

This is not to say that many problems remain which result in wealth accruing to a small section of the population and their heirs. Perhaps all land should only be rented, so the capital gain from its changing use accrues to the commons. Or other changes made to our tax system.

However, such changes need not be made to recognise and share the value of the commons.

An income payment for all can ensure everyone receives an equal share without making changes to any other system – greatly reducing potential opposition.

The Anthropocene

Despite their many failings (which are more about a failure of governance), property rights and money have worked their magic in the markets of the world to deliver advancements in science, health, housing, communications, transport, energy production, infrastructure, and everything else upon which our modern economies depend.

You only need consider the complexity of the systems required to make a car (referenced above), to realise why central planning can never work... at least not by humans!

Ironically, much of the pain we and the planet are suffering (climate change and the degradation of the biosphere) is due to this success, leading to the exploding population.

Our legacy production processes, and forms of energy, are not in themselves the problem... only that there are too many of us putting them to use; so that together, we have become a geological force in our own right, creating the Anthropocene.

If we could step back just two hundred years to when our population was a mere one billion, but with today's most advanced technologies having replaced all our legacy production processes; we'd all be living in paradise, with much of the world still in the wild, our oceans pristine, and our systems already sustainable! We already know how to do it. "The future is already here, just not evenly distributed" - [William Gibson](#).

Overall, our systems have been a boon for much of humanity (as evidenced by the leap in the average lifespan over the last 100 years) – but not for all. And not for the biosphere in general.

A UBI offers a way of extending this boon to everyone within Australia.

The extension of this policy to the world, is another challenge. As is tackling the other problems of the Anthropocene. Both are pressing topics for another day.

UBI and the Role of Government

While there are many roles, a key function of government within a Democracy is expressed by Australian Treasurer, Josh Frydenburg, quoted in The Age on 16 March 2021: "Government is best when it acts as a catalyst for households and businesses to take conscious decisions to consume, hire, invest and grow".

As those on the left also know, Government still has a major role to play on the supply side for critical services, such as health, housing, and education, as well as in the regulation of markets and the protection of the commons.

A UBI is good for both the Right and the Left.

It fulfils the Right's vision of a world in which people are free to make their own choices. It also fulfils the Left's concern that no one should be left behind.

As Andrew Yang said in his 2020 US Presidential Run: a UBI is not Left or Right... it's Forward!

Perhaps that is why both The Greens⁵² and the Libertarian Pirate Party⁵³ are in favour!

UBI and the Means of Production

Some people worry that a UBI just promotes capitalism (which they see as the root of all evil).

However, a UBI is neutral on how goods and services get produced. It simply operates on the demand side. It works as well with stakeholder capitalism, as with cooperatives, as with local production, and the principles of a circular economy. It would work in a fully socialist or communist economy, or any other economy that still relies on money.

How goods and services are produced at what price, and how the value-added in the process is shared between labour and capital, and importantly the organizational design (company, cooperative, worker owned, or any other alternative) are all separate matters, unrelated to a UBI.

The Future of Production and Human Potential

As the technology is rolled out and further enhanced, this will be our future:

⁵² https://greens.org.au/sites/default/files/2019-03/NSW%20policy%20initiative%20%E2%80%93%20UBI_0.pdf

⁵³ <https://pirateparty.org.au/basic-income/>

Additive Manufacturing, Nano-technology, New Materials Science, Automation, Virtualisation and Artificial Intelligence will mean a shift to local production [using micro-factories comprising small-scale cells](#). These will be scattered around each major city to meet its own needs. The cells will use production equipment sourced from around the world to produce a wide range of products using the best local and global designs, produced under licence.

Already, we have almost [completely automated factories](#) using robots to make robots, with [the trend moving into all sectors of the economy](#)

Rather than buying products, we will buy the purpose they serve. For example, we will buy 'light' ([Signify/Philips](#)), rather than globes. Or 'journeys', rather than cars ([Waymo](#))

The products will be owned by the manufacturer, encouraging the design of long-life products that can be readily maintained and updated to keep costs down, while they earn revenue from subscriptions. This will include everything from electric vehicles (transport) to devices for the home (depending upon the purpose they serve).

The production cells will use sustainable energy and local materials and be designed to limit the use of water and energy. They will be combined with maintenance, repair, & recycling facilities.

This switch to local production for local consumption will greatly reduce the number of atoms (products) shipped around the world, replacing them with electrons (designs)... reducing cost and time, as well as labour, energy, and resources in the process. A boon for the planet, as well as humanity - subject to the switch to renewables and potentially small-scale nuclear energy.

We will still require some people to maintain and oversee these local facilities – except they will be trained by Virtual Reality; and be guided in their work by Augmented Reality and Artificial Intelligence linked to global databases; and supplemented by Automated Machines!

As well, the whole natural and built environment comprising every relevant object (including our own bodies) will be dynamically modelled in 3D using physics simulations, at the scale and detail required for decision-making. Each virtual object will link to every bit of data relating to it (what it is and what it does, what it is made of and how it works, its maintenance history, who owns and controls it, etc).

All manufactured products will be modelled by the manufacturer, with the model sold along with the product that it represents. The model will slot into the virtual world, just as the product itself is fitted into the real world.

The virtual world will also be linked with the real world via a network of trillions of sensors that feed data on the status of each relevant object, located via cm and even mm global positioning.

The model and data will be accessible from anywhere on the planet, by any authorised person.

To protect privacy and maintain security, each person's rights of access, use and trade in the 'official' virtual world will mirror their real-world rights.

All public data, and anonymised private data, will be available to everyone to better understand the world as it is, and to feed the AI systems that will manage the operation of this inter-connected world.

Our own AI 'Jeeves' will monitor our health, interactions, and wants and needs, hunting down a selection of goods and services for us to choose from. Wiping out 'advertising' as we know it. In the process eliminating 'decision overload' The AI will simply give you 3 choices, any of which will meet your needs. It will do this after exhaustively searching the world's data bases for the best fit for what you need and want.

Each model, from the worlds natural systems, through the built environment to our own bodies, will be fully dynamic, programmed to behave in accord with the laws of physics, allowing us to simulate the world as it could be to make better decisions, more quickly, at less cost and with much less risk, to ourselves and the planet. Everyone impacted by a proposed change will be able to understand it in its spatial context and have input into the outcome.

With a UBI, we can more fairly share the productivity gains these new technologies offer us.

A UBI will enable an explosion of human creativity, as machines do our dirty work and enhance our powers to virtualise and materialise our dreams, building healthier & happier cities

This is not to say that everyone will need to become a tech-head. The beauty of the UBI is that it allows everyone to choose how to live their own life, without detriment to the community.

Those who want a simpler life, perhaps more connected to nature or engaged in the local community, will have that choice, underpinned by the same UBI that everyone else receives.

APPENDIX IV: MONETARY FLOWS AND THE BATHTUB MODEL OF THE ECONOMY

This Appendix aims to put the UBI in context within the ‘real economy’ (that produces our goods and services). It is based on an extract from a recent paper by Scott Santens⁵⁴.

All money is now created as ‘debt-money’ via the banking system.

As a result, global debt must increase to fund the increase in demand that drives global economic activity.

Once, we did not pay people to cut our hair, or cook our food, or to play competitive computer games. As these activities have become monetised, we’ve needed more money in the system to record the value of the additional transactions.

This happens with minimal inflation where the rate of increase in the supply of money is matched to the rate at which these activities are paid, AND to the rate at which other resources can respond to produce what those people then spend their money on. It’s a dynamic iterative process.

The Real Economy

Scott likens the real economy to a very special bathtub. One that expands over time, representing the ability for an economy to grow, where money is constantly flowing into and out of the tub at the same time.

The level in the tub represents the size of the economy, relative to its maximum capacity.

The *water swirling inside the tub* represents activity in the real economy as goods and services are produced and sold and incomes paid; most of which are spent in the real economy to buy goods and services - regenerating incomes and spending, in ongoing cycles.

The Financial Economy

For the purposes of the analogy, we can think of the financial economy (where securities are traded) as a separate bathtub, connected to the real economy by separate inflow and outflow pipes.

Over time, money flows out of the real economy into the financial economy, as surplus income is used to buy securities. A small amount trickles back in as securities are sold and the proceeds are spent, along with the incomes of those in the sector, to buy goods and services.

In general, however, the net flow moves from the real economy into the financial economy, increasing the size of the financial tub over time.

As well, Quantitative Easing (QE) injects new money (almost exclusively) into the financial economy. Quantitative Tightening does the reverse. Over recent years this flow has enlarged the financial tub, so it is orders of magnitude greater than the real economy. As QE/QT has relatively little impact on either demand or inflation in the real economy⁵⁵, it is ignored for the purposes of understanding how the UBI impacts the real economy.

⁵⁴ https://vocal.media/theSwamp/why-we-need-modern-monetary-theory-mmt-and-why-it-needs-universal-basic-income-ubi?_se=bS5oYWluZXNAdmFuemkuY29tLmF1

⁵⁵ Crocker, Geoff. *Basic Income and Sovereign Money* (p. 30). Springer International Publishing. Kindle Edition

The International Economy

This also represents another ‘tub’. Money flowing from the international tub into the real economy will stimulate demand and may be inflationary if resources are fully utilised. Money flowing out will reduce demand and could potentially be deflationary.

The Principal Flows Into, and Out of the Real Economy

Inflows

New Money

- a UBI to everyone to buy the basics
- bank lending to borrowers to meet individual, business (and some government) needs
- government deficit spending to provide specific public assets, goods, and services

Financial Economy

- liquidated securities used to create new real assets (buildings and equipment)
- to buy goods and services in the real economy

International Economy

- sale of exports
- overseas investment in Australia
- dividends from offshore investments.

Outflows

Removal of Money

- flat % tax on all spending to mitigate inflation generated by UBI (if required)
- repayment of banks loans
- government surplus (taxes, fees, duties, fines and levies exceed spending)

Financial Economy

- outflows into the financial economy (this is generally a bigger pipe than the inflow)
- dividends and other earnings from the real economy invested in securities

International Economy

- purchase of imports
- investments made overseas
- dividends paid to overseas investors

The following sections are extracted from Scott Santens paper, with additions in ‘[]’ inserted to reference all the flows and to clarify some points.

In expanding Scott’s model, rather than thinking about a single spigot and plug hole, we should think about each of the inflows and outflows having their own taps and drains that operate independently, but which have a *combined* impact on the water level in the tub.

The Balanced Bathtub

Imagine a bathtub where our goal is to fill the tub as close to the brim as possible without spilling over onto the floor. Water flowing into the tub represents [all money] inflows and water flowing down the drain[s] represents [all money] outflows.

The tub itself represents the economy and an overflowing tub is inflation [while a tub that is not full represents an economy at less than full capacity]. If more money flows into the tub than down the drain, the water level rises.

[Assuming other flows are balanced] That's what running a federal budget deficit looks like; because a deficit is spending more than taxing. [However, if other flows result in a net outflow, e.g. into the financial economy, and/or due to a fall in private sector borrowing so repayments exceed new loans, or due to a net outflow on the current account, etc, a deficit may not lead to an increase in the water level, it may simply hold it steady]

[Again, assuming other flows are balanced] A balanced budget would be matching the rate of water flowing in with the rate draining out, which would keep the water level steady where it is. If the tub is full, that would make sense, but if it isn't; it makes more sense to either increase the flow rate, or decrease the drain rate, to fill the tub all the way. In this case, the government's deficit is the private sector's surplus. Meanwhile, the "national debt" is just an ongoing tally of how full the tub is each year. It's not like household debt at all. It's a record of [government-issued assets](#).

[In the ideal], a full-to-the-brim tub is an economy at maximum capacity [at a point in time]. All resources are being utilized in the most efficient way possible using state-of-the-art technology. Automation is maximally deployed. Everyone who can do productive work is doing it, paid or unpaid, with maximum engagement and skills-matching, for an amount of time that [optimizes] efficiency [and quality of life], maximizes the quantity and quality of goods and services that people most want and value, maximizes the consumption of what's being produced, and minimizes the amount of resources and ecological footprint used to accomplish it all. In this theoretical state of total economic perfection, nothing could be tweaked without water falling below the brim or spilling over the side of it.

The Expanding Bathtub

There is however also another important detail to this tub. The tub is actually no ordinary tub. It's a very special tub that continually grows bigger. As the water gets closer to reaching the brim, the tub itself actually expands in response. The tub is a [complex adaptive system](#). It evolves. Businesses tend to not like turning away customers. When they're unable to meet consumer demand with supply, they tend to invest in expanding their capacity so they can meet whatever the demand is from all their existing and potential customers.

When the amount of water in the tub isn't close enough to the brim to spur tub growth, usually due to insufficient demand due to insufficient customers due to insufficient spending power, that difference in tub size between what it presently is and how large it could potentially be, is known as the [output gap](#).

Output Gaps and Capacity Utilization

The output gap is something that needs to be a part of every conversation about inflation.

It's defined as the difference between actual GDP and potential GDP, aka tub size vs potential tub size.

Inflation is not simply the result of too much water in the tub. It's a result of there being too much water for the tub to contain, based on whatever the tub's maximum growth rate is, and also taking into account how much water is leaving the tub and how it's leaving.

Importantly, increasing the amount of water going into the tub doesn't necessarily lead to the water spilling over, because the tub can and does grow. If the rate of growth is set just right, the extra water flowing in can cause the tub to grow and match its rate of growth so that the tub stays full to the brim while growing in size at the same time. That represents true 100% maximum theoretical economic capacity and achieving it requires that more water always pours into the tub than drains out of it.

Thus, achieving true maximum economic capacity actually requires that we always spend more than we tax [assuming all of the other inflows and outflows are balanced].

[This can be achieved by paying the UBI out of new money to boost demand to achieve maximum utilization and growth].

APPENDIX V: THERE IS NO GOVERNMENT DEBT BOMB

The money created to pay for the recent JobKeeper and JobSeeker coronavirus supplements has kept people fed, clothed and housed, businesses functioning, and people employed, or at least in a holding pattern. Together they are doing their job. Though we could have done more⁵⁶, and still could do more.

This money has been created by the RBA buying Government Bonds. It is not owed to anyone. It does not have to be repaid. It does not even have to attract interest. Let's not fall into the old trap of thinking it is like a household debt. It's not. It's nothing more than an entry in the RBA's computer.

Why should future generations have their spending curtailed to pay a tax that simply reduces a number in the RBA's computer?

What is true of JobKeeper and JobSeeker supplements is true of the UBI.

The only restraint on the increase in the amount of money on issue is the resources required to supply the goods and services the money can buy. Too much and we get inflation. Too little and needs go unmet. We are currently in the second situation, despite some price hikes due to supply constraints driven by the pandemic.

To not spend money when the resources are available is to impoverish future generations.

As an example, in future, we will need more aged and health care facilities as lifespans increase and the proportion of our aged population grows. Spending money now to build facilities and train staff to keep pace with this requirement should be the determining factor. Not the artificial debt that represents the funding. That 'debt' may sit for all time on the books of the RBA without impacting future generations who will all benefit from the facilities and trained staff that it funded. It simply represents the money value of the assets at the time the money was spent. In all likelihood, if the money is well spent, the value of the assets will increase over time. The aim should be to write the asset off over its life, so both the loan and the asset fall to zero at the same time.

[The following paragraph was written before the current bout of inflation made much worse by the Russia-Ukraine war which has led to energy and food shortages.] If inflation does emerge, (against the long-term trend of low inflation driven by globalization, automation, and virtualization, now multiplied by artificial intelligence), THEN we can up interest rates to curtail borrowing for other purposes. Once rates get back to 'normal', if that is not enough to cool inflation, THEN consider imposing a new broad-based flat % levy on spending to take money out of the 'real economy', as the UBI is pumped in.

These actions would have zero to do with repaying debt, and everything to do with simply reducing the amount of money circulating in the economy to mitigate any *demand* pressures driving inflation.

From the point of view of the UBI, we only need to worry about demand-driven inflation.

If inflation is due to supply shortages and/or increases in import costs, we should do *nothing* to mitigate the price rises - as they are the market providing the right signals to constrain demand.

⁵⁶ [ABC News](#)

Currently, there is no danger of wage-push inflation due to weakened unions and ongoing automation and virtualization, and even continuing globalization. At some point, the UBI may create labour shortages that drive up wages in some sectors. But that should be seen as a positive, reflecting the relative value of the work. A UBI should help to forestall a general wage-price spiral as it would provide an effective wage rise (especially for low-paid workers), at no cost to employers, hence no reason to increase prices.

Inflation driven by cartel price increases can only be managed outside the market.

That said, the difficulty for the RBA is how to distinguish demand driven factors from supply factors from cartel behaviour, as well as manage 'inflation expectations'.

A UBI offers a way to limit wage-push cost inflation where unions agree to mitigate wage claims in return for employers mitigating price rises.

APPENDIX VI: FUTURE PRIORITY FOR CREATING AND ALLOCATING MONEY

The ultimate constraint on the creation of new money is the resources available to meet the demand signalled by the money. Too much money and we get inflation, too little and needs go unmet.

With the aim of keeping the total flow of money just right, and with the expanding bathtubs in mind, this Appendix considers which taps and drains should be used to control the flow of money in which priority.

Universal Basic Income as Priority

As a matter of principle, when it comes to allocating new money, *meeting basic needs should be the priority* – for all the reasons outlined in [THE JUSTIFICATIONS FOR A UBI](#) and [THE BENEFITS OF UBI](#)

This approach leaves the decision in individual hands about what should be produced to meet their basic needs.

The total amount is constrained by the amount of money required to lift a person above the poverty line and the number of people.

Once the UBI attains the poverty line, the UBI should *always* be adjusted to maintain its real value, regardless of the level of inflation or interest rates, or economic activity, or any other factor.

Longer term, as technology reduces the need for labour, the UBI can be increased beyond the poverty line to keep the labour market in dynamic balance. As it is raised, more and more people will stop looking for paid work until most everyone who wants a job has a job (for the hours they want to work), with most vacancies filled within standard recruitment times. It would never be perfect, but over time, it could ensure vacancies are filled reasonably quickly while providing a real increase in the amount of the UBI. Importantly, it would enable those not in paid work, or on reduced hours or pay, to purchase the outputs of the automated systems - which is good for them, their families, and for business and society, and the biosphere if we are using renewable energy and circular production processes.

Government Spending

We are attuned to think of government spending as debt, without recognising the asset on the other side of the spend, or the economic activity and private wealth that it generates. On the private side, no one brings their friends around to admire their debt. The focus is on the house it helped to buy. The same should apply to our national assets.

Like private assets, the value of our national assets will generally increase over time. Unlike private debts that must be repaid, the number on the books of the RBA that represents the new money issued to build the asset, will remain constant... and irrelevant! The 'debt' will just pile up to record the ever-growing value of the national balance sheet.

Both infrastructure and private buildings are real. The number in the Bank's computer is a fiction. It makes zero difference to the future well-being of society (good or bad). However, the infrastructure and other buildings make a huge positive difference (assuming it is well designed to meet community needs!)

That said, as a rule, we should have a collective say in what public goods and services should be provided, at what cost.

We can do this if we can vote on the proposed policies and programs that provide our public goods and services (rather than parties... but that too is a whole other topic).

Ideally, when voting, everyone should have the same skin in the game.

This can occur if everyone is required to share the same % of their income (including capital gains, welfare and UBI), without exception, to pay for the agreed public goods and services.

The simplest approach is to tax all income as it is spent (with rebates on business spending and the resale of assets to avoid double taxation). If income is not spent, it simply means the person has added value represented by their income, or they have received unearned income representing a share of the value added by an investment, *and not consumed any of society's resources*. In this case, waiting to collect the tax until the money is spent causes no dis-benefit to society. It is far easier and less costly to administer, and much harder to evade tax on spending than on earnings. And, if applied to all spending, it has no distorting effect on activity. This approach is analysed in more detail in the section [Expenditure Tax](#) and in [APPENDIX X: HOW A COMBINATION OF A FLAT AMOUNT UBI & FLAT % TAX IS PROGRESSIVE](#)

We should also tax activities that create negative impacts that we want to reduce. This money should only be used to mitigate the impact of the negative activity. It should not go into general revenue as then the Government becomes dependent upon the very activity it is trying to reduce!

This strategy puts constraints on politicians and 'special interests', as any change in policy/programs would impact everyone's tax in the same proportion.

It follows that, once all resources in the economy are fully employed, the basic requirement for the Government ought to be to balance the budget, with all spending paid out of tax, fines, fees, and levies; with four provisos:

1. If Government receipts fall due to a temporary drop in economic activity, *new money* could also be created to fund the gap - so there is not a sudden disruption to public services just because of a temporary dislocation in the market.
2. As economic activity returns to normal, the government could return to operating a balanced budget, with no changes to taxes or spending on public goods or services.
3. If the government sees an overriding need for social spending (eg infrastructure, and/or to switch the economy to renewable energy, etc) vs private spending using borrowed money for (e.g. investment in apartments). In this case, new money could be created to fund government spending, while interest rates are raised to curtail private borrowing. Ideally, only on loans to limit competition for scarce construction resources.
To provide some measure of community control, any new money used to construct public assets should be repaid out of tax revenue over the life of the asset. This ensures all taxpayers (current and future) have some skin in the game – forcing governments to justify the expenditure to the electorate by prioritising it against private activity.

4. There is also an argument to allow governments to use new money to pilot programs before they are fully implemented, at which time their future cost should be fully covered by taxation. This would require careful administration to avoid overreach.

This approach could apply to all levels of government: Federal, State and Local. The problem is how to share the 'new money' across all governments. Again, this is a topic for another day.

Bank Lending

A Bank should be free to continue to offer new loans (new money) to individual and business borrowers. It is important for a wide range of individuals and organizations (who have the capacity to meet the interest and repayments) to have the choice about what to spend the new money on. And it makes good sense to borrow to buy assets where the loan is repaid over the life of the asset, so the purchaser has use of the asset while it is paid off.

As new money generates new activity, bank lending spreads decision-making across the community, limiting the need for central planning.

There is an argument that banks should not lend 'new money' for investment in financial markets as the money simply feeds into an upward securities price spiral, encouraging more borrowing that adds to the spiral. Instead, investors should put their own money at risk in these markets. However, that is another topic altogether!

The total amount of bank lending is constrained by inflation and deflation in the real economy.

If demand inflation appears due to excess money being poured into the real economy, it is the responsibility of the RBA/APRA to increase interest rates and serviceability requirements to curtail borrowing, reducing the flow of new money into the real economy.

Remembering that money is destroyed as the loans are repaid, and the entries in the books of the bank are reversed. If loan repayments exceed new advances, or if the Government runs a surplus, the net amount of money circulating in the economy is reduced, leading ultimately to deflation. In which case, the RBA/APRA would be required to reduce rates and serviceability requirements to stimulate borrowing, to maintain the economy at its optimum level.

To mitigate the 'business cycle' and to limit inflation x sector x region, the RBA could be given a new power to levy an extra 'interest charge' on all borrowings, with lenders required to collect and remit the charge, like GST.

So, for example, if the housing market in Melbourne is overheating, the RBA could require all lenders making loans to buy EXISTING homes in MELBOURNE to collect an extra levy. This levy could be increased until it had the effect of damping demand and hence prices for *existing* homes in Melbourne *only*. It would not impact the construction of new homes (which is what we want in a supply-constrained environment), nor would it impact other borrowing either in Melbourne or anywhere else, which is also what we want. This sort of control was once impossible. However, with the networks now in place, it could become routine.

Government Deficit vs Bank Lending

The UBI, Government Deficits, and Bank Lending all inject new money into the economy.

This becomes a problem only at the point where our resources are fully occupied. At that stage, any further injection of new money will inevitably lead to inflation in the areas where competition for resources ensues. This could be, for example, for engineering and construction resources for a government project vs. a private project.

In either case, the money gets spent into the real economy, benefiting the suppliers of the assets, and goods and services... as well as the community.

The only difference is the object of the spending. For example, a bridge vs an apartment block. Once the money has been spent, society ends up with an asset.

Which is best (public or private) is an eternal struggle.

On the one hand, the 'free marketers' want all spending decisions to be in the hands of individuals and companies. On the other, those with a 'social conscience' see government spending as the priority.

The truth is we need both, with the means to decide between alternatives.

With a well-functioning government, it ought to be possible to make nation building decisions that take priority over individual investment decisions – for the greater good. This requires a very sophisticated government, with a bureaucracy and representatives who have sound scientific and engineering skills coupled with processes that are designed to evaluate the most urgent social needs.

At the very least, it requires a mature governance process that facilitates much more community decision-making by those impacted (positively and negatively), with recognition that the people negatively impacted should be compensated out of the benefits to be derived by the wider community. If the cost of compensation exceeds the anticipated benefits, this requirement should forestall the policy or program.

Also, banks have a role to play in ensuring that the loan is for socially acceptable purposes and that the security is adequate, and the borrower has the capacity to repay the loan. This expertise needs to be spread across the country, with banks having a good understanding of their customers business. This is not something we should delegate to 'government officers' under a central authority.

Most Western democracies are far from this ideal, and there are a number of changes we can make to the banking system to eliminate the problem of moral hazard and the threat of bank runs. But they are beyond the scope of this paper.

The point here is to recognise that we need to keep control of government spending and allow for private bank lending, with precedence given to a UBI (above both Government Deficit Spending and Bank Lending), *as a UBI ensures individual survival* in a market-based economy.

APPENDIX VII: HOW THE GOVERNMENT, THE RBA, APRA AND THE UBIA WORK TOGETHER

In the 1960's we accepted 2% as full employment⁵⁷. Despite major changes in work and employment,⁵⁸ there's no reason why it should not be the case again.

If after the UBI reaches the poverty line, there is still excess unemployment, the UBIA could simply raise the UBI... until full employment is reached.

While the arms of Government could consult, they should be free to act independently... as the Government, RBA and APRA now do.

While the UBIA is gradually raising the UBI, the Government could separately expand its deficit to start spending on programs to soak up unemployment, and the RBA/APRA could drop interest rates and serviceability requirements to increase demand, in line with their full employment objective.

At some point, the labour market will tighten due to a combination of a) some people dropping out of the workforce as the UBI is increased, b) more demand for labour generated by government deficit spending, and c) due to lower interest rates boosting borrowing and demand that flows through to employment.

Inevitably, there would be some overshoot, creating a tight labour market signalled by a lift in inflation above the RBA's target. This will cause the government to cut back deficit spending, and the RBA/APRA to start increasing interest rates and serviceability requirements.

This combination will take pressure off employment as the economy cools.

When unemployment begins to rise, the cycle would start again. This dance will likely continue forever. The process is like the suck it and see approach of the RBA/APRA to interest rates/serviceability, and the government's approach to deficit spending now... there would just be one more player in the mix.

Given the UBI is to achieve a basic standard of living for everyone, we should not stop its gradual increase simply because of inflation. In fact, the UBI should be increased to reflect the increase in costs due to inflation in the basics. Inflation control should remain the primary responsibility of the RBA and APRA.

The difference with past business cycles is that the UBI should have a much more immediate impact on employment as it directly impacts each person's weekly income. This should mean we can shorten the cycles and make them less extreme. With the UBI, it would also mean that no one would fall below the poverty line at any point in the cycle. It would never be perfect, but it could ensure that, over time, the UBI was lifted to reflect not only price changes due to inflation, but also improvements in living standards due to technology.

Of course, none of this will absolutely assure economic stability. Credit card debt and secondary mortgage markets would continue, along with new private debt-based 'securities' that leave the system at risk of collapse during a downturn.

During the GFC, private debt was massively leveraged via 'financial engineering', using 'packaged securities' such as 'Collateralised Debt Obligations' (CDO's). We all know how that

⁵⁷ <https://www.abc.net.au/news/2020-07-12/unemployment-figures-hard-to-interpret-because-of-definition/12446608>

⁵⁸ <https://www.abs.gov.au/ausstats/abs@.nsf/lookup/1301.0main+features452012>

ended. While these are out of favour, we now have a 'totally different security' (sarcasm alert) called 'Collateralised Loan Obligations' (CDO's). Instead of packaging dodgy mortgages, [they are now packaging dodgy corporate debt](#). That's different, so no worries then!

APPENDIX VIII: USING OFFSETS TO LIMIT INFLATION

If we were to pay every adult citizen, permanent resident, and refugee \$500/week [\$1,000/fortnight] (around the poverty line), this would equate to \$520 billion of new money being injected into the economy every year - over 25% of total GDP. Clearly, this would not be sustainable.

Fortunately, we can reduce the potential inflationary impact without increasing tax or government borrowings, and without the need to change either our welfare or tax systems.

The proposed ways for reducing the outlay are summarised below. See [APPENDIX IX: CALCULATING THE UBI OFFSETS](#) for the details. While the UBI would be paid to everyone Tax-free, it would be recovered on a sliding scale from earned income. The net effect of this recovery and other offsets is set out in the following table (Figure 9)

Summary of Offsets

NET ANNUAL INJECTION OF UBI INTO THE ECONOMY

Injection Less Costed Offsets	AMOUNT (\$ Billions)
Gross Amount of UBI per annum (Assuming payment to 20 million Adults)	520
Less Offsets:	
- Recovery of UBI based on Earned Income	- 213
- Welfare and Administrative Savings by Offsetting the UBI against Benefits	- 142
- Extra Tax Collected at Normal Rates on Additional Revenue Generated by UBI	- 35
- Net Outflows of Profits into the Financial and International Economies	- 30
- Technological Deflation of 1% pa (Automation, Virtualization & AI)	- 20
- Savings from Improved Health, Lower Crime and Increased Productivity	- 30
RESIDUAL UBI TO FUND (WELLBEING) GROWTH 2.5%	50

Figure 9

While the residual \$50 billion projected to be injected into the economy every year is a lot of money, it is just 2.5% of Australia’s \$2 trillion economy. Well within the bounds set by the RBA for both growth (3%) and inflation (3%).

Of course, these proposals and numbers are all theory.

By starting small and increasing slowly, we can test the theory with very little downside and plenty of upside for both the poor and the businesses who respond to the new demand, as well as society in general.

These offsets are explained below

Welfare Offset

Firstly, we can offset the UBI against welfare benefits. As the UBI increases, each welfare payment will reduce as if the income was earned. At some point, this would eliminate most welfare benefits, while leaving recipients better off due to the removal of ‘mutual obligations’

and the ‘unconditional’ nature of the payment. Any welfare benefits that exceed the UBI would be retained, so no one on welfare could be worse off.

Doing this is estimated to save around \$142 billion pa in benefits and administration costs.

Tax Offset

On the tax side, there is no need to change either the tax brackets, or rates. Except:

We can simply recover the UBI from earned income on a *sliding scale* (say) up to \$80,600 of earned income - via the tax system. This currently covers around 75% of people. Above that amount, the full UBI would be recovered.

Rather than fixing the cut-off at a set amount, it should continue to cover around 75% of the population. This would be a matter for the UBIA to set annually.

As the graph below illustrates, this approach ensures that the immediate benefit of the UBI goes to those who need it most – even though everyone receives the same amount every week.

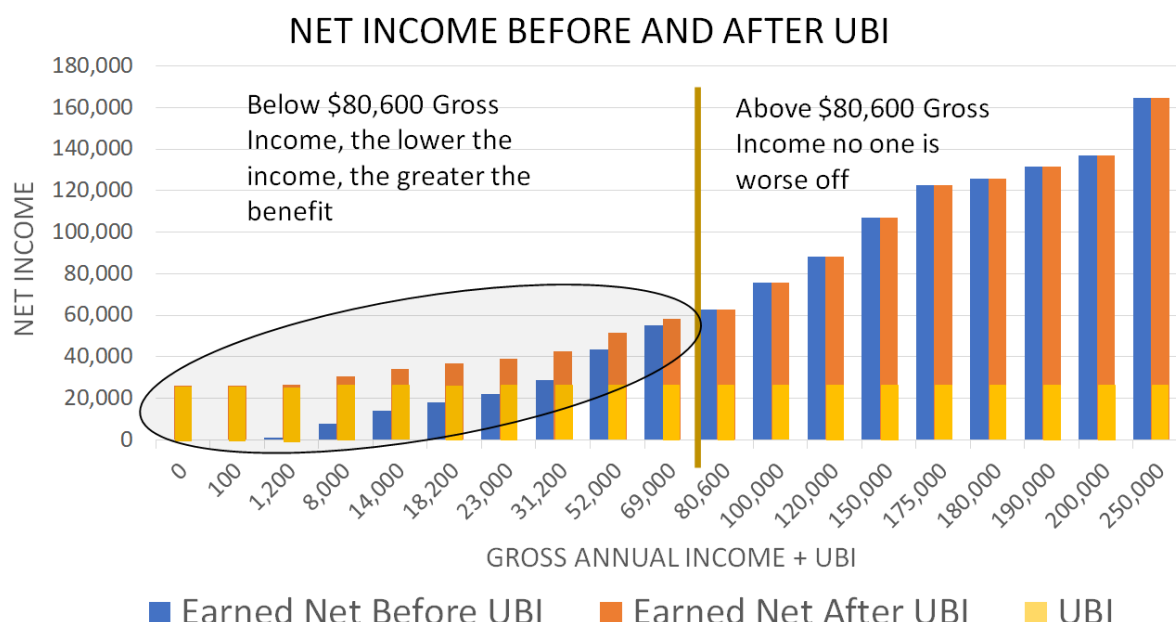


Figure 10

The data for this graph are set out in the section: [Structuring the Sliding Scale of UBI Recoveries](#)

This approach is different to a negative income tax which pays each person a different amount based on their annual earnings. In our case, everyone receives the same amount of UBI each week, and has the same percentage ‘recovery’ deducted from earned income up to \$80,600pa, with the full UBI deducted above that.

The rationale for paying the money each week, and then recovering it from earned income via the tax system, is that it acts like income insurance. It is always there if you lose your earned income for any reason, without any need to apply, and without any delay.

Recovering the UBI out of earned income on a sliding scale, also means that we can further reduce the net amount of money being injected into the economy by \$213 billion per year.

It's important to note that for any *net injection* into the economy, the higher the recovery cut off, the lower the UBI would have to be pitched. While more people would benefit, the inflationary pressure from the extra money injected into the economy would be greater. Conversely, if we made the cut off lower, the UBI could be raised without incurring inflation, but fewer people would benefit from the UBI.

We consider that the level where 75% of people have some benefit is about right (i.e. currently at around \$80,600 of earned income), though the final cut off remains open for debate.

Outflow of Money via Tax on Increased Activity

Additional money can be extracted via the normal taxes that will accrue on the additional income and profits generated by the UBI as it is spent into the economy.

This is estimated to be around \$35 billion per year, given a gross inflow of around \$165 billion (after the saving on welfare and recoveries from earned income)

Outflow of Money into the Financial and International Economies

Lastly, a significant amount of money will continue to flow from the real economy (where goods and services are produced and sold) into the financial economy (where securities and other assets are traded), as well as into the international economy.

Once the money flows out of the real economy, it rarely trickles back, so it cannot drive inflation in the price of goods and services ([though it may drive up asset prices](#)).

It rarely trickles down, as the incomes of the rich are more than sufficient to sustain their consumption. That is, the rich don't need to liquidate assets to spend in the real economy. They just spend a part of their incomes, and invest the rest... in the financial economy, in property and in collectibles. This buying is leveraged by borrowing.

Of course, some money does trickle back, but the outflow from the real economy is much greater than the return inflow.

The net one-way flow of money out the real economy requires ever more money to be injected into the real economy, just to maintain demand. Today, this happens as people borrow more to simply sustain their lifestyles in the face of rising health, education, and housing costs.

It is estimated that this net outflow could amount to around \$30 billion per year, though it could be much higher. The UBI can offset this outflow to sustain the real economy, without adding to the debt burden. We could try to estimate this outflow, but the best way to test it is to simply start small and watch what happens as the UBI is increased.

Offsetting Technological Deflation

Lastly, for decades we have seen price deflation created by globalisation, automation, and virtualization. While globalisation may (or may not) take a back seat following the pandemic, automation and virtualization are at the knee of exponential growth. It is not unreasonable to assume a further \$20 billion pa. (1% of GDP) in technological price reductions that may further offset some of the additional demand generated by the UBI, thereby limiting its inflationary impact.

Other Offsets

In addition, we could expect to see a drop in drug and alcohol abuse, gambling, and crime, as well as mental and physical health issues, along with improved productivity as automation accelerates, all flowing from the payment of the UBI - all at considerable saving to the economy, further reducing the inflationary impact of the UBI. We've estimated \$30 billion

Wide Margin for Error in All Estimates

We accept that there is a very wide margin for error in all these estimates. While further modelling may narrow the margin, the estimates will remain uncertain due to the complexity of the economy and the quirks of individual behaviour as the UBI is introduced. Which is why we are recommending a gradual introduction of the UBI so we can monitor its impact in real time and take action where appropriate.

Promoting Growth

There is no need to withdraw all the money injected via the UBI. We can allow some to continue to circulate to promote growth in economic activity and living standards (this is the 'expanding bathtub'). While GDP is a crude measure, we can safely assume that the UBI would represent a real improvement for most people. This would allow us to absorb (say) another \$50 billion per year. This is only 2.5% of Australia's GDP, well within accepted growth and inflation targets.

APPENDIX IX: CALCULATING THE UBI OFFSETS

These offsets are indicative only. They don't have to be precise as by starting small, we can measure the actual outcome as the UBI is increased. The statistics used to calculate them are set out in [Error! Reference source not found.](#)

Structuring the Sliding Scale of UBI Recoveries

Despite paying the UBI to everyone, it can be targeted to those who are most in need by amending the income tax code to *recover* the UBI on a sliding scale.

For the purposes of debate, it is proposed:

- Those people with zero income would retain the full UBI (\$26,000/year), tax free.
- Those with one dollar of income to around 155% of the median wage, would have a proportion of their UBI recovered at the rate of 32.26%⁵⁹ of their *pre-UBI pre-tax income*. We've used a figure of \$80,600 to calculate the cut-off, with the final amount to be decided.
- Every person who earned more than \$80,600 would have the full UBI recovered.

That is, your adjusted entitlement would be decided after the fact, based on your actual earnings as reported to the Tax Department. Recovery can be smoothed using Group Tax for employees, the GST system for self-employed, and Annual Returns for passive income earners.

The table below is the basis for the graph in section: [Tax Offset](#). It excludes the Medicare Levy.

Net Impact of UBI less Recovery Across a Range of Incomes

Annual Earned Income A	Normal Tax on Income ⁶⁰ B	Net After Normal Tax C A-B	UBI D	Recovery of UBI from Taxable Earnings % E	Recovery Amount F A*E	Better Off by Net UBI G D-F	Total Net UBI + Earned H C+G	Effective Total Tax % I (B+F)/(A+D)
0	0	0	26,000	32.26%	0	26,000	26,000	0.00%
1,200	0	1,200	26,000	32.26%	387	25,613	26,813	1.40%
8,000	0	8,000	26,000	32.26%	2,581	23,419	31,419	7.60%
18,200	0	18,200	26,000	32.26%	5,871	20,129	38,329	13.30%
23,000	912	22,088	26,000	32.26%	7,419	18,581	40,669	17.00%
31,200	2,470	28,730	26,000	32.26%	10,065	15,935	44,665	21.90%
52,000	8,447	43,553	26,000	32.26%	16,774	9,226	52,779	32.30%
80,600 ⁶¹	17,742	62,858	26,000	32.26%	26,000	0	62,858	41.00%
290,000	103,597	186,403	26,000	n/a	26,000	0	186,403	41.00%
500,000	198,097	301,903	26,000	n/a	26,000	0	301,903	42.60%
1,000,000	423,097	576,903	26,000	n/a	26,000	0	576,903	43.80%
10,000,000	4,473,097	5,526,903	26,000	n/a	26,000	0	5,526,903	44.90%

59 This rate will depend on the chosen cut off and the UBI

60 https://www.ato.gov.au/calculators-and-tools/simple-tax-calculator/?=top_10_calculators

61 \$80,600 pa. is around 150% of current median of \$996/week.

Figure 11

As the table shows (column I), the effective tax rate (after the UBI and recovery) is fully progressive, with everyone earning below \$80,600 being better off (column G), and no one above \$80,600 being worse off. This outcome ensures no disincentive to take paid work.

Total Recoveries of UBI from Taxable Earnings

There are around 13 million workers, with 75% (10 million) earning less than \$80,600.

To simplify the calculation of the amount of UBI recovered from the 10 million, we've assumed that recovery happens evenly across the group, so that on average 5 million retain the full UBI, and 5 million have their UBI fully recovered.

This leaves 3 million earning more than \$80,600 who would also have the full UBI recovered.

As well, there are many hundreds of thousands who earn a passive income who would have to repay some, or all, of the UBI. Let's say, 200,000 on average would have to repay the full UBI.

This results in a total recovery of $(5+3+0.2) \text{ mil} \times \$500 \text{ UBI} \times 52 \text{ weeks} = \text{around } \213 billion pa

Welfare and Administrative Savings

This calculation assumes the UBI is offset against all welfare benefits.

As well, it could be offset against State Workers Compensation and Transport Accident Insurance payouts, and even private Income Insurance, providing further savings.

We already pay [around \\$200 billion \(updated to 2021, but not including pandemic related benefits\)](#). As well, there is the cost to administer all the current programs.

Given the UBI would push most people beyond the income levels for entitlement (once it reaches the poverty line), much of this expenditure could be saved. Though we will still need to pay some level of on-going child support (in the absence of a child UBI), as well as disability and nursing home support.

Let's say we can save \$142 billion in both payouts and administration; and leave no one worse off. Again, this assumption can be tested with little risk, by starting small.

Funding Growth of 2.5% pa

Ideally, we would like to see 3% pa growth in real output aimed at improving living standards (subject to the growth not negatively impacting the environment). This would require an injection of another \$60 billion every year to fund sustainable growth.

If we use the UBI to fund part of this growth (say 2.5%), it will absorb another \$50 billion pa without the need to increase borrowings within the community, and without creating inflation.

If bank lending adds another 0.5% to growth, it could also boost inflation by 3% and stay within the RBA's guidance band.

Technological Deflation Offset of 1% pa

While productivity has been muted over recent years as people have moved into low-paid service jobs; increasing automation and virtualisation (via remote working, health and [education](#) in particular) will expand supply while reducing cost and potentially reducing prices.

Let's say these reductions together represent around 1% pa offset = \$20 billion (given the current acceleration in automation and virtualization, this could be very conservative)

APPENDIX X: HOW A COMBINATION OF A FLAT AMOUNT UBI & FLAT % TAX IS PROGRESSIVE

The numbers in the following graph don't relate to this specific proposal. Nor do they take into account existing taxes. The graph simply illustrates the progressive shape of the curve created by a combined UBI and flat % expenditure tax, including a negative tax at the low end.

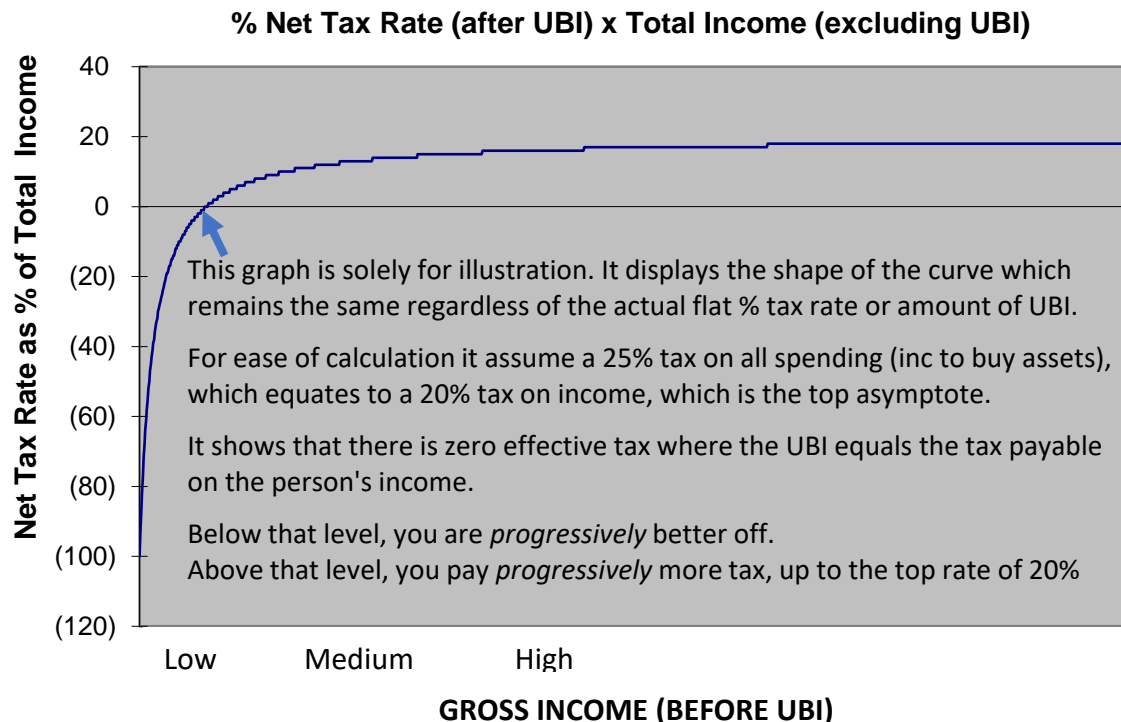


Figure 12

The graph clearly shows that, even though everyone gets the same UBI, and everyone pays the same percentage tax on spending, it shifts the net benefit to the lower paid.

If required, the tax would simply keep the money circulating, without having to constantly inject new money into the economy, thereby limiting inflationary pressures.

As the UBI is spent and flows through the economy, it will concentrate in the hands of senior executives and business owners in the form of higher salaries and profits derived from the additional sales generated by the UBI, giving them extra money to pay the extra tax.

At the same time, as the graph illustrates, lower-paid and middle-income earners will directly benefit from the higher UBI

The key point to remember: Tax is not required to fund the UBI.

Imposing a flat % tax on spending will *only* be necessary *if* excessive inflation appears, *and only if* it cannot be controlled by reasonable interest rate rises.

As previous sections illustrated, we can design the system so that the risk of excessive inflation is greatly reduced by a) offsetting the UBI against welfare benefits, b) recovering part out of earned income, and c) other offsets, making it unlikely that any extra tax would be levied.

The ultimate failsafe being the gradual increase in the UBI, while the UBIA monitors actual results

APPENDIX XI: CRITIQUE OF ALTERNATIVE WAYS TO FUND A UBI

Taxation

There are many problems with the existing tax and welfare systems. Trying to fix them while introducing a UBI simply complicates the introduction and sets up unnecessary opposition from those who would lose out.

We should tackle changes to the tax system and to the welfare system as separate challenges, as a UBI can be justified and funded in its own right.

In fact, as we have proposed, tax is not required to fund the UBI. Nor are any changes to welfare proposed. Instead of removing or altering welfare benefits, it is simply proposed to offset the UBI when calculating welfare entitlements.

Tax would only be required if, before the UBI reached the poverty line, inflation moves beyond the RBA's target, and if the RBA/APRA cannot keep it in check using interest rates/serviceability.

Under this constraint, the most important facet is not who pays the tax, but where the money comes from. If the tax is raised from *outside* the real economy (i.e. from transactions in the financial or international economies), the money collected will have zero impact on demand and hence inflation in the price of goods and services in the real economy.

To dampen inflation, any tax must remove money from the real economy (where goods and services are produced and sold), ideally across all sectors and all regions, without distorting relativities.

If this can be achieved, in combination with the UBI, demand would be shifted towards meeting basic needs, and away from other spending without impacting overall economic activity.

It is critical to recognise that it is the UBI that first injects money into the economy, with the proposed flat % tax imposed on the incomes it generates, and only as those incomes are spent.

The following sections critique the various ways that have been suggested to fund a UBI.

Carbon Tax

This could offer a palatable way to fund a UBI, as it would have the dual benefit of encouraging the switch to a low-carbon economy while also providing for people's basic needs.

The problem is that the more successful the strategy on the carbon front, the less carbon that will get produced, the less money available for the UBI. Such a tax would also face considerable political opposition in Australia from one of the major parties.

Of course, we should price carbon; but any tax raised ought to then go to mitigating carbon use. This would provide a double whammy reducing carbon emissions through pricing and mitigating their impact through direct spending. It would mean that as carbon tax receipts fall, so would the need to fund mitigation strategies.

If a carbon tax results in an increase in the basic cost of living, this would simply be one of the many factors that the UBIA would have to consider in keeping the UBI above the poverty line.

This way, the carbon tax and the UBI would work independently of each other, to achieve their separate goals.

Wealth Tax

While it may appear morally correct to tax wealth to pay for the poor, there are many problems with this view.

Most of us are attuned to think of wealth in money terms. But there is another way based on real resources.

Most of the wealth owned by the rich is in their businesses which serve us. The amount of steel, concrete, fibre, and other resources used or consumed by the rich for their own enjoyment are a fraction of those used and consumed by the rest of us. A million-dollar handbag consumes very little of the world's real resources, despite its price.

What wealth does provide is access to elite designers, craftsmen and women, and talent. The complement is that the rich provide a market for the finest objects (including cars, planes, boats and homes, and experiences), and hence for the finest producers. These things have high monetary value, and in many cases add to the profit margin of suppliers, allowing them to reduce prices on standard models. This is especially true of cars. Pricing 'luxury' at very high margins limits both demand and supply and subsidises lower priced goods.

Instead of thinking in dollar terms, cast your mind over the whole country and consider all the mines, farms, dams and office buildings, and road, water, power and communications networks, and shops, as well as all the cars, homes, devices, and clothes, etc.

Regardless of ownership, most of the resources of society are *used* and *consumed* by the bulk of the people who work to create, operate, and maintain them.

It's only the poor, those who *cannot* do paid work, or who are forced to work for poverty wages, who miss out.

Taxing wealth to provide for the poor would require part of it to be liquidated. However, the only buyers will be other rich people with invested funds, including offshore investors.

Upon sale, the businesses and private assets would be unchanged, and would remain in private hands. All that the tax will have achieved is a change in the mind controlling the assets!

The money for the sale could only come from the financial and international economies, and/or borrowing. *Funnelling money from these sources outside the real economy to pay a UBI, would have the same inflationary impact as a UBI paid from newly created money – but with more cost, complexity, and uncertainty.*

If the tax is not paid through the sale of assets, it can only come from income. In which case, it is just another income tax, with horrendous assessment problems.

Another difficulty is that tax minimisation schemes make the amount of collections uncertain from period to period. Not ideal when funding everyone's basic needs on a weekly basis.

This is not to say the rich should not pay their fair share for public goods and services.

The question is how, and how much.

How to Tax the Rich

From an economic viewpoint, it does not matter if one person adds \$1 million of value, or one thousand people each add \$1,000; the net result is the same.

This value is (imperfectly) represented by a person's earnings. While earnings are unspent, or they are spent on productive assets, society is better off.

Once all earnings are spent to consume resources, the person will have got out what they (and their benefactors) put in, and they and society will be square.

The trouble is that if everyone spends all they earn, there would then be nothing left to meet the costs of public goods and services, or to support those 'outside' the production process.

To pay for these, some of the value created by every person must be taxed. This can be done as it is earned, or as it is spent, or after it is spent to acquire assets (when it becomes 'wealth'), or when it is passed to the next generation as an 'inheritance tax'

Taxing wealth was considered in the previous section.

There's an argument to tax wealth when it passes from one generation to the next to limit the accumulation of power, but that has many of the same problems as taxing wealth.

Taxing income is also notoriously hard to assess, with many loopholes. Its saving grace is that it can be made progressive, so the rich pay proportionally more, in theory at least. Which seems fair, as they can afford it without compromising their ability to survive.

On the other hand, it is much easier to assess and collect a flat % tax on spending, and such a tax is much harder to evade. The difficulty is that on its own, such a tax is regressive. Yet, *it can be made progressive when combined with a flat amount UBI*. As shown in [APPENDIX X: HOW A COMBINATION OF A FLAT AMOUNT UBI & FLAT % TAX IS PROGRESSIVE](#)

Which is why our proposal is advocating a flat % tax on *all* spending (including all business spending and when buying assets, with rebates to avoid double taxation).

As noted, the proposed spending tax is *not* to fund the UBI, but only as a last resort to stem excessive inflation if it cannot be controlled by the RBA/APRA.

Land Tax

Tax cannot be paid out of the land. It can only be paid out of current earnings (or borrowings). Or the land must be sold.

If the tax is paid out of income to fund a UBI, it is just another criteria for assessing income tax liability.

If we are going to tax income to pay for the UBI (or even just to curb excessive inflation), it is better done when the income is spent, than as it is earned, as explained in the section [Expenditure Tax](#).

If the land is sold, the land remains as it is. All that happens is the controlling mind changes.

Of course, the seller could then use some of the sales proceeds to pay the tax.

But where must this money have come from? The buyer must have had it invested, and/or borrowed it. The same is true if the current owner must borrow to fund the land tax.

In all these cases, the money would not have been withdrawn from the real economy. Which means that when it is recovered in tax and used to pay the UBI, it would represent an additional injection of money into the real economy, *as if it had been newly created*. Again, with added cost and complexity compared to simply creating it.

The tax would also be subject to the vagaries of the property market, varying the amount available for the UBI year to year independent of actual needs. The times when the property market collapses are likely to be the very times we need to maintain the amount of the UBI.

As well, as more and more goods and services become virtualized, the value of land as part of the cost of production is eliminated, so that taxing land would lead to distortions in the economy.

For all these reasons, a land tax is not recommended as a source of funding for the UBI

This is not to argue against land tax per se. It could be useful in encouraging people to make better use of the land by making it uneconomic to hold, or for other reasons. But that is a whole other topic.

Financial Transactions Tax

This has the same problem as a wealth tax. It is derived from money circulating in the Financial Economy. Whatever amount is raised, it would represent a reinjection of money into the Real Economy from 'outside', *as if it was newly created*. Hence, it could not be used to mitigate inflation in the real economy.

The other problem is that the amount raised will depend on the level of transactions. Going up as the financial economy booms and falling precipitously when it busts.

It also adds a layer of cost and complexity.

Paying the UBI from new money avoids the ups and downs, allowing the amount to be set based on need.

Income Tax

As noted in the section on wealth, this tax is full of loopholes and is complex to administer. Its only advantage is in its ability to set progressive tax scales. Yet, as shown, that feature can be very simply emulated by a combination of a UBI and flat % tax on all spending.

Company Tax

Companies (indeed, all businesses) that trade in the real economy are organizations designed to add-value to our real resources by combining facilities, equipment, energy, and people into processes that convert inputs into higher value goods and services; delivering them when and where needed.

In competitive markets, the profit of each business is a measure of the value it adds to its inputs (being the difference between its selling prices and costs).

It makes no sense to tax the production of value (unless the production relates to goods or services we don't want, like cigarettes and gambling).

If all production was tax-free, companies would have no reason to shift profits around, which currently causes unnecessary cost and complexity

Instead of levying tax on production we can more easily levy it on consumption.

This is not only more efficient, but it is also more equitable - if it captures *all* spending and is combined with a UBI so the net impact is progressive. (Assuming the tax on business spending and upon the sale of assets is rebated to avoid double taxation).

How this may be achieved is canvassed in the section [Expenditure Tax](#)

Capital Gains Tax

Currently, the fact that capital gains are not taxed at the same rates as income has meant a huge increase in the disparity of wealth. This should be addressed as a separate issue to UBI.

That said, we are not recommending the UBI be funded by a tax on capital gains as they are extremely difficult to measure until they have been realised.

If realised and unspent, the gains represent value that has been added in the past and not consumed.

In these circumstances, nothing is lost to the community in deferring collection of tax on the gain until action is taken to spend it to consume resources, at which point the tax on the gain can be easily assessed and collected at the same flat % rate as applied to all earned income.

Why and how this would work is set out in the section [Expenditure Tax](#)

Cash Tax

Again, a tax on cash holdings that is used to fund a UBI would represent a re-injection of the money into the real economy, no different in impact to newly created money.

Of course, it would reduce potential future spending, and would therefore reduce inflationary pressure – in the future.

But if the UBI is causing inflation today, we need a way to take money out of the real economy today. Only a tax on current spending can assure this.

The other problem with a tax on cash is that it could encourage people to *bring forward* their spending (to avoid the tax), which would only aggravate demand pressures at the very time we want to reduce them!

If cash is idle, it represents value the holder (or their forebears or benefactors) have added and not consumed. This is to society's benefit. Cash has zero bearing on the functioning of the economy while it remains in the bank.

Yet, as cash is spent, it becomes the most important lever in the whole economy. For then it turns dreams and desires into reality, directing how the economy's resources are to be employed in providing the goods and services the buyer wants. Which is why an Expenditure Tax is recommended.

Expenditure Tax

This tax is not intended to fund the UBI, but to simply offset inflation that may be driven by the UBI – and *only* if it cannot be controlled by the RBA/APRA.

If at the point of spending, a buyer is required to pay an extra % in tax, the tax will temper demand (because it reduces their buying power), which is the very thing we want if the UBI is generating excessive inflation.

Combined with a UBI, the flat % tax will result in a progressive system that ensures the greatest benefit flows to those who need it most. See: [APPENDIX X: HOW A COMBINATION OF A FLAT AMOUNT UBI & FLAT % TAX IS PROGRESSIVE](#)

To remove any distortion, the tax would need to be applied to ALL spending, including on wages, interest, and assets.

To avoid double taxation, a rebate of tax paid on all business spending would ensure the tax was only paid by the end consumer. Like the GST, but all encompassing. This would result in tax paid becoming an asset of the business. This tax asset would be recovered from the tax paid by its customers - as the business sells its goods and services, just like the GST.

This approach would promote production, while ensuring each person shares a fixed proportion of the value that they accrue in the production process - when they come to consume.

Ideally, we should remove all other taxes from businesses and individuals, so that most government spending is funded by a single expenditure tax.

This would encourage investment and ensure each business made its decisions without regard to tax, eliminating any distortion. (Except where specific taxes are applied to discourage unwanted production, e.g. cigarettes.)

Tax would then be paid *only* by consumers *as they spend their earnings*.

This should include the *consumption of assets*. So that when a person (or business) purchases an asset, they would pay the same % tax as on any other spending.

To avoid double taxation, upon resale of any asset, the seller would be entitled to a rebate of tax equal to the lesser of a) the tax paid on purchase, and b) the tax rate times the sales proceeds, with the rebate adjusted by inflation so only the real gain is taxed. This formula results in the tax paid on assets also being an asset (recoverable on resale).

Without attempting to explain it here, this approach would ensure *that all real capital gains are taxed at the same rate as other income... as the gains are spent. It would be like a capital gains tax, but without the complexity of assessment and collection.*

Given everyone would pay the same % tax on all spending, it would not impact relativities or distort decision-making.

It would be very easy to administer and hard to avoid.

If we eliminated all other taxes and simply used this approach, no person would need to put in a tax return, except when assets were sold (to get the appropriate rebate of the tax).

Businesses would still need to keep a record of tax paid and collected, as they now do for GST, though like the GST, they would not expense the tax against their own income. They would merely act as 'tax collectors'.

And if we moved to a Central Bank Digital Currency, we could have all incomes paid gross into RBA accounts (managed by the commercial banks as Agent for the RBA). Tax could then be deducted whenever money was withdrawn to spend. This would virtually eliminate tax administration!

This short summary is not intended to explain the process in detail, as it is only indirectly related to the payment of a UBI. Details on how this would work are a topic for another day.

It is simply offered to illustrate that there may be better ways to raise tax, and to offset the inflationary impacts of the UBI, than via any of our current tax schemes. If we were to consider this approach, it would be best implemented over a 20 year time frame, so people with a vested interest in the current system have time to transition out, with a sizable golden handshake for those who remain to the end, and inducement to support the change and to continue working in the current system until the switchover date.

However, there is no requirement to make these changes for the UBI to be implemented.

The UBIA could simply be given the power to levy a broad-based GST as the final tool to curb inflation - until the UBI reached the poverty line. Once that point is reached, it would be up to the RBA/APRA to curb inflation as now.

Other Sources of Funding

Government Deficit Spending

This is virtually no different to using newly created money. It's just done via the RBA buying Government Bonds (as it has done to finance pandemic spending).

The downside is that the deficit is already a political football which could jeopardise payment of the UBI at some point, simply because people use it as an attack: the deficit is too big!

By placing responsibility for determining the target amount with the UBIA under its own charter, and by providing it with the power to pay the UBI out of newly created money, we can be sure that its focus remains on its simple purpose: to pay an amount of money that assures each person can meet their basic needs. And as the UBI would be paid to everyone, it would be much less of a political target.

Sovereign Fund

The idea is that tax, borrowings, and/or money creation are used to buy productive resources, with the dividends used to fund a UBI.

The problem is that the amount of the UBI is then subject to the value in the fund, rather than the basic needs of people in the community. This can be a particular problem if the assets are being depleted (for example oil or mineral reserves).

And, no matter how well-managed, the fund will still be subject to the vagaries of the global economy.

The real value that underpins a UBI, which provides the means to pay it, is the total value of the community's natural, human, built, technological, organizational, legal, economic, and cultural and knowledge resources. These are lost only if the whole of society fails.

By basing the UBI on the total real wealth of society, and paying it out of newly created money, we can pitch it to always meet the basic needs of every person in society, regardless of what is happening in the economy. The times when the economy is in trouble and asset values and dividends are falling, are the very times when the UBI needs to hold its payouts to ensure basic needs are met regardless. The ongoing payment would also be an important support for the economy.

Paying it out of newly created money also means we can increase the UBI over time to reflect the lift in living standards across the whole society generated by new technologies, and more easily adjust it to keep that labour market in dynamic balance.

Land Rental

There is also an argument in favour of all land being held by the State, with citizens simply leasing the land, while owning only the improvements. That way any changes in the value of the land (including due to re-zoning) accrue to the State. Thomas Paine summarized this view in his essay *Agrarian Justice*⁶² by stating that "Men did not make the earth. It is the value of the improvements only, and not the earth itself, that is individual property. Every proprietor owes to the community a ground rent for the land which he holds." (But that is a whole other topic).

Land Rental is not recommended as a source of revenue for the UBI as it has become increasingly less important as the economy virtualizes and globalizes.

Though the most important reason is that the amount raised would then be dependent on land values, when the aim must be to set the amount above the poverty line and keep it there, regardless of what happens in the economy. And assessment and collection just add another layer of complexity and cost.

The UBI ought to reflect the value of the whole commons (which it can do if it is paid out of new money), *and be tied to current population rather than some arbitrary component of the economy.*

⁶² <https://web.archive.org/web/20100213005643/http://www.thomaspaine.org/Archives/agjst.html>

APPENDIX XII: ALTERNATIVES TO UBI AS A MEANS OF SOLVING SYSTEMIC POVERTY

Economic Growth

While economic growth may seem to be the answer, it is not.

This is because around 50% of the population at any time cannot do paid work: our young, old, incapacitated, their unpaid carers and those between jobs.

This is not a static group of people. The young grow up, the old and incapacitated die, their carers and the unemployed find new paid work. Only to be replaced by a new cohort.

It is us over time.

Not working in the paid economy does not mean we are simply takers. The young learn, the old provide life experience and enhance familial & social bonds; carers look after our young, frail and incapacitated, as well as home management; the unemployed *work* to find paid work, while also *working* to meet activity tests and fill out the paperwork for welfare and take on re-training. Many also provide voluntary services and/or pursue activities that express their own creativity in hobbies, sport, culture, and entertainment (limited only by the lack of money), and much else. All adding to the vitality of society.

Without this 50% of the population, the 50% in the paid group could not exist or function.

While in this group, we get money from savings and family, if we are lucky; and from welfare and charity, if we are not.

For 12-14% of the population these sources fail to meet their basic needs. Mostly single women with kids, the elderly and incapacitated, and their unpaid carers, as well as those between jobs - all of whom lack savings, family support, and a home of their own.

This cannot be solved by economic growth, as it is a demographic problem. In fact, it could get worse due to automation, virtualization and AI. Though, there is also good reason to believe there is no end to work: just think of all the work needed to repair our environment and maintain and improve our buildings and infrastructure, and to beautify our cities, streets and private homes, and to better care for our young, old and disabled.

Increasing Welfare

As we saw recently with JobKeeper and JobSeeker, while people on welfare said that for the first time, they could feel some of the pressure come off; once the economy started to pick up again, employers cited high benefits as the main reason for a lack of willingness for people to take on work. This resulted in a drop in benefits, returning people to poverty - to force them into work.

Yet, as noted, the 12%-14% of the population in poverty are mainly those who *cannot* do paid work. Which means we are needlessly punishing them, simply because of the way the system is *designed*.

The other side of this coin is the welfare poverty trap. In this case, people on welfare are forced to choose between welfare and a low-paid job. In many cases, the extra money is not worth the effort, when taking into account the extra costs (e.g. travel and work clothes), and problems with child care, that a paid job would entail. The higher the benefit, the bigger the trap, demonstrating that increasing welfare is not the answer to systemic poverty.

Capital Payments

Some people are suggesting that rather than a UBI, the government should create new money to buy each person a share in the capital of productive organizations. To effectively create a Sovereign Wealth Fund, out of which benefits are paid. This would be like the Alaskan Permanent Fund Dividend which is paid from oil royalties.

However, the UBI is like giving everyone an equal share in the total productive capacity of the nation, including all its natural, human, built, technological, organizational, legal, cultural, and knowledge resources. Unlike shares in individual companies or a depleting resource, this capacity will grow over time and is only at risk if the whole society fails.

As importantly, any Capital Fund can be co-opted by politicians, as has also happened with the Alaskan Fund⁶³.

Having a separate Authority to issue new money specifically for the UBI, reduces this opportunity. Especially if the legislation makes it plain that the UBIA had no power to issue new money other than for a UBI.

Job Guarantee

Others are suggesting the government should create new money to provide a guaranteed job. Unfortunately, this only perpetuates the myth that a paid job is required to provide meaning. Yet, how soul-destroying would it be, to be forced to undertake make-work just to get paid, or to be forced to accept work for which you are unsuited or over-qualified, just to get enough money to survive!

It also under-values all the unpaid work that people do in the home and for their community. Some of this is the most important work there is: supporting families and strengthening social bonds.

If public work needs to be done, it should be funded by government *if the need is there*. This is especially important for infrastructure spending, and spending to support our young, disabled, and aged. The last thing we should want is for a job-guarantee worker to be pulled away from a created job, just to release them into the private sector as demand for labour rises. Imagine the impact on those reliant on the services of the worker if that were to happen!

Ideally, all government work should be justified in its own right. *In this case, government work would simply form part of the formal job market, with the UBI providing the floor for ALL work.*

Another major concern is that any job guarantee scheme will require its own permanent organizational structure to administer, with the added risk that people will be given jobs on paper to simply satisfy funding/performance requirements, as was the case in communist regimes in the past. There is also the risk that, in time, it devolves into work for the dole, as old ideologies re-emerge.

Geoffrey Croker raises other concerns: “Job guarantee schemes suffer from several difficulties. Is the guarantee for any job type, in any location, for any number of hours per week, or are these parameters to be limited in the guarantee? Can any government guarantee any specific definition of work, for example, as a lawyer within say 5 miles of an unemployed lawyer living in an isolated rural location? Furthermore, extra employment at current high levels of

⁶³ <https://www.vox.com/future-perfect/2019/9/5/20849020/alaska-permanent-fund-universal-basic-income>

productivity, will generate substantial extra output with potentially damaging environmental consequences, unless all new work is in new green or totally service sectors of the economy⁶⁴.

However, all the above concerns are only side issues.

The plain fact is, no job guarantee can cover the 50% of the population that cannot do paid work, as such, it cannot solve systemic poverty, nor can it recognise the immensely valuable work required to care for our young, old and incapacitated which is now done by family (mostly women).

Learning as Work

Perhaps there is scope for a different kind of Job Guarantee.

In an era of exponential change in data and information, life-long learning has become an imperative. Not just for the person, but also for society which benefits from having an educated citizenry.

We recognise this in the amount of money we spend educating people: in building schools, technical colleges, and university campuses. And in the salaries and wages we pay to everyone engaged in the process of creating an 'educated person': the professors and tutors, but also the support staff (e.g. accountants and ground staff and cleaners).

Everyone... except the only person who can do the *work* to turn information into knowledge: the student themselves! Uniquely, the student is both *the worker* and *the output* of the work (the educated person).

Learning as we all know is some of the hardest work we do, yet we are not compensated for the time and effort it takes.

The rationale is that our reward is in the extra money we get after graduation. Yet, that money is to pay for the *application* of our knowledge. It cannot reward us for the work it takes to acquire it... for that work is prior to graduation, and that time can never be got back.

The problem is: where to get the money to pay people to learn and how to set the wages?

The answer is the same proposed for any Guaranteed Job: create it and manage its allocation to balance the labour market.

It can then be allocated in a competitive process where specific groups with industry/professional knowledge, *and need for the educated person*, set the knowledge requirements, number of places to be filled and the salaries to be paid for the learning work (up to 90% of the pay upon graduation). These groups may include business associations, as well as those involved in entertainment, the arts, education, government, and research: all areas of human endeavour.

The aim would be for each group to assess future needs for specific skill sets; and then set the salaries to attract people to undertake the work to acquire them. To keep skin in the game,

⁶⁴ Crocker, Geoff. Basic Income and Sovereign Money (p. 51). Springer International Publishing. Kindle Edition.

each industry body could be required to fund (say) 10% of the total 'learning wages' for the cohort they sponsor.

Each industry would compete for students, and prospective students would compete for learning work, with each student having to pass ongoing assessments to maintain their learning job.

Under this scenario, learning work would simply form part of the job market, and count towards full employment.

People could spend their life switching in and out of *applied* and *learning* work.

Having a market-based wage should ensure the student could pay for their living costs, and the cost of their education, which should fall dramatically in coming years as new online and VR courses emerge. These will likely provide just-in-time courses using the world's best communicators with AI software that guides and assesses the student to achieve competence.

Education providers would compete to provide the required training... but would have to be endorsed by the groups seeking graduates, to ensure standards are met.

This is just an overview of how we could shift to a new idea of work where our economies are increasingly knowledge-based.

The UBI would continue to be paid to each person, with their learning wage paid on top (less the appropriate recovery based on the amount of the wage) – as for any job.

APPENDIX XIII: OPPORTUNITY COSTS

There are of course opportunity costs. If we are going to issue new money to everyone, what else could we do with it instead?

We could use it to boost Government Spending, increase Bank Lending, or expand Quantitative Easing. However, if any of these alternate ways of creating and spending money into the economy worked to solve *systemic* poverty, we would not have a poverty problem to solve.

More importantly, every other way of spending new money into the economy is targeted to meet the needs of the *section* of the population who receives it. Inevitably, this results in lobbying and demands from sectorial interests. For every person or organization who gets the money, many more miss out.

A UBI alone is founded entirely on democratic principles, granting self-determination to every adult.

Just as we have universal suffrage, with one person one vote in the political sphere, the UBI gives each person an equal vote for the goods and services they want to meet their basic needs in the economic sphere.

It is the ultimate expression of freedom in a world dependent upon money to signal your wants and needs.

What other means of allocating the new money could provide a greater good for the greatest number?

APPENDIX XIV: DOWNSIDES AND UPSIDES FOR THOSE INVESTED IN THE CURRENT SYSTEM

There are many groups who profit from the status quo who could see the UBI as a threat to their power and/or way of life. But there are also upsides.

- Politicians may see a UBI as a threat to their base. Though the level of increasing support for a UBI (both in Australia and globally) should give encouragement to get on board.
- Banks and other credit providers may fear a reduction in borrowing if interest rates are increased to curtail inflation generated by a UBI. Though lenders usually improve profit margins as rates rise. Also, there is no surety that people will borrow less with a UBI in place. With more money in hand, some may borrow more.
- Borrowers may fear having their interest rates increased. Given rates are at historic lows, this is not an unfounded fear. But it is one they face regardless. The UBI at least provides some cushion, especially at the low end of the housing market.
- Unions may fear a loss of bargaining power as people rely on the UBI instead of a wage rise. At the same time, the UBI increases the ability of workers to negotiate a fair share of the value they help to create, knowing they have the UBI to fall back on if they are stood down.
- Employers may fear the extra bargaining power the UBI gives workers, but it is just as likely that people may be willing to take on existing work for current rates of pay (or less), as the extra money earned would be on top of their UBI, to provide a better standard of living.

With the implementation of a UBI, the value of work may shift, with some work paying less because the pay would no longer need to provide a full living wage.

On the other hand, in the case of critical dirty/stressful jobs (such as cleaning and aged care, etc.), we may have to pay more to attract workers, better reflecting their real value to society. Though again, with their basics covered, many people may still accept the current pay rates to supplement their standard of living.

Ultimately, the market will find its level.

- People employed by charities and in businesses and government departments providing welfare support (such as food and emergency shelter, benefit payments, and employment support), as well as those specifically employed in supporting First Nations people, may fear the loss of their job or business. This is a genuine concern and one we should address by providing time to adjust, along with generous redundancy and retraining to reorient their skills and business to providing life-skills and business training, and other support that their clients will need once they get out of survival mode.
- The rich may fear the loss of cheap servants, and the middle-class the loss of their café society. But again, there is no guarantee of this happening, as the money earned by the people working in these jobs would be on top of the UBI, enabling them to enhance their standard of living without seeking a pay rise.

Also, automation and virtualization are going to fix the service problem on two fronts. First, technology will replace more functions in the service sector, both back-room and [front-of-house](#). This will enable the middle-class to go on enjoying their café lifestyle, but with less wait-staff and more automated ordering and preparation.

The hospitality and other service staff replaced by automation will then be available to take

on more personal services for the rich, on top of their UBI.

Again, the market will sort itself out.

- People in general may fear tax increases to curtail inflation, though this fear should be mitigated by design of the system. Tax would only be levied if the UBI led to excessive inflation, and only if the RBA/APRA could not control it. The likelihood is that the UBI will generate higher incomes and profits as it is spent, well before inflation sets in; more than offsetting any extra tax. And the design of the system ensure that around 75% of the population will be better off, regardless.
- People who hold to the Protestant Work Ethic believe that work provides primary meaning and purpose, and that idleness is a sin. They worry that a UBI would lead people into moral decay: lazing around, getting into trouble, playing computer games, getting drunk, taking drugs and gambling. Despite studies showing the contrary, those who hold these fears may only have them assuaged by the evidence once the UBI is introduced, so they can see for themselves how people behave in practice. By starting small and increasing the UBI slowly over time, any adverse behaviours can be identified and counter measured before they become entrenched.
- Renters naturally fear that landlords will simply increase their rent in line with the UBI. However, studies show that while some increases may occur, renters are net better off as their incomes rise, as landlords must still compete for tenants. The ultimate solution is to improve housing supply in areas where it is needed... a whole other topic!
- General Inflation is also a concern for many, with the possibility that prices would be increased across the board to absorb the UBI. But if that was the case, there would be no point in seeking wage rises. The fact is, most businesses must still compete, while globalisation, automation and virtualization will continue to drive down the prices of most consumables, as well as in healthcare and education as more services go online. The evidence from Alaska is that retailers drop prices whenever the Alaskan Dividend is paid, to attract a greater share of the spending bonanza!

Any, or all, of these eventualities may or may not emerge, and they may or may not have the dire consequences people fear.

By starting small and observing what happens, we can mitigate adverse impacts as they arise. If negative consequences do appear to be overwhelming the positive, we can simply halt the increase in the UBI until we can implement countermeasures to ameliorate the impacts.

On the other hand, if as expected, we see overwhelming positive outcomes, we can speed up the roll out.

The beauty of the proposed approach is that we don't have to theorise. We can simply take small steps, observe the outcomes, and continually improve the delivery of the UBI over time

APPENDIX XV: ANSWERING UBI CRITICIS

Most criticisms levelled against a UBI have been addressed in the body of the paper, and in the preceding Appendices. This section simply provides a summary, including our responses.

Tax and Inflation Concerns

A UBI raises valid concerns around tax and inflation. These are a few of the most common criticisms:

- *We can't afford a UBI!*
- *We'd have to tax everyone too much, imposing massive distortionary costs on the economy*
- *Instead of paying the taxes needed to fund the UBI, the rich will just move to another country, taking their wealth and businesses with them. Society will break down.*
- *Why should I give up my hard-earned money to people who are not putting in unless I choose to give to charity? Otherwise, it is just theft.*

Under the proposed policy, the money for the UBI would not be funded through tax, making these concerns moot.

Also:

- *It will reduce the tax base as people stop work to live on the UBI, while increasing the cost of welfare*

As the UBI would be funded through the creation of new money, this new money would drive higher growth and hence higher collections, not less. As well, by removing the poverty trap there would be more incentive to take on extra paid work, reducing welfare. Welfare would be further reduced by offsetting the UBI against welfare benefits.

Of course, creating money raises the concern:

- *A permanent UBI could not be financed with government debt or newly printed currency because: inflation!*

The inflation risk would be mitigated by a range of strategies and offsets: welfare and tax recoveries, technological deflation, replacing outflows into the financial and international economies, plus via economic growth and normal tax collections on the higher activity, and if necessary, via a reduction in new borrowings.

Only as a last resort would an extra tax be applied to mitigate inflation that could not be controlled by the RBA/APRA, and only after the UBI had boosted economic activity and profits through being spent into the economy. As such, any tax would only be recovering some of the additional income generated by the UBI.

The net effect would not be to limit economic activity. It would simply switch activity to meeting basic needs ahead of other consumer spending, while keeping a lid on inflation.

It's not been Tested: Unintended Consequences

As a UBI is *universal* and *for life*, it's not possible to run a full-scale pilot, which raises the concern:

- *A UBI has never been tried at full scale over the long term, so no one really knows what will happen, it could have all sorts of bad unintended consequences.*

While it is true that a UBI has never been tested, by starting small and increasing the UBI slowly over many years, we can effectively undertake a full-scale pilot allowing us to mitigate the risk of unintended consequences as we go.

Loss of Specific Welfare Benefits

The claim is that:

- *Many poor people will be worse off than under current programs that exist to address specific problems, such as care for children, and the elderly and disabled.*

Under the proposed system, this could not happen. No changes are proposed to any existing welfare programs. The UBI would simply be offset against welfare benefits, with any benefit in excess of the UBI being retained by the recipient.

Due to the phased introduction, as the UBI is increased, the amount of welfare paid under existing systems would reduce *based on existing rules*, leaving all beneficiaries no worse off, and potentially much better off when the UBI exceeds the welfare benefit and is paid unconditionally.

Ultimately, the UBI would go above the earned income limits (adjusted for inflation) eliminating the need for certain benefits, such as unemployment. This would release some money to go towards other more needy causes, such as disability and nursing home support, where the costs are higher.

There are Many other Public Goods we need to Spend Our Money on

The concern raised is:

- *We need to spend our taxes on universal health care, housing for the homeless, and universal access to education, as well as other public goods and services*

The proposed system takes no taxes away from the government.

However, by providing everyone with the means to satisfy their basic needs, it could take pressure off many existing programs – though it would still be important to ensure adequate supply of all essential services.

Agreed, the UBI money could instead be diverted to other programs, however, no other program covers the whole population, nor can any other program eliminate systemic poverty. A UBI is in fact the most democratic way of allocating society's resources.

Workers will Lose Status

This claim seems outlandish, but it has been raised in various forums!

- *Workers will lose status relative to non-workers and some people need others to look down on to make them feel better, even though they'd never admit it.*

Under the proposed system, everyone would be free to earn as much as they can on top of the UBI. It would not alter relativity between people. Someone who earns more through paid work, will still earn more after the UBI.

Money is Not the Answer to Poverty

There are legitimate concerns that the UBI cannot fix the supply side

- *Many services are not available where they are needed, including [food deserts](#) across many low income areas; giving people money won't fix this; and landlords will just put up the rent. Also, people need better and more affordable healthcare, education and housing.*

Fortunately, new technologies are emerging that will drive down price and increase availability.

Cheaper and better remote health and education services, and as well as remote working will take the pressure off city housing by allowing people to live in places where prices are lower, without loss of work or essential services.

However, many supply side problems are a function of policy and regulation that no amount of technology can fix. Only policy changes can fix them. Again, this is outside the remit of a UBI.

[It's Immoral and would Lead to Anti-social Behaviour](#)

People express their moral concerns in many ways:

- *People are not all equal, we can't change that. It's just morally wrong to give people money they don't earn.*
- *Many people are also concerned at the morality of encouraging idleness. Kids will never move out. They'll just lock themselves in a room in their parent's house, playing computer games and spending their UBI on pizza.*
- *And most egregiously, if people have nothing useful to do, they'll just indulge in more drugs, alcohol and gambling!*
- *There is also the perceived need to work to have meaning in our lives and self-worth as a person.*

Yet, the data from studies around the world show that, given the chance, most people want to work to better themselves and their family; unless they have fallen into despair because of long-term unemployment, or have other mental or physical health issues. [Scott Santens blog is a great resource for the facts](#)

[Other studies](#) suggest that people choose drugs, alcohol and gambling as a way out of despair.

Having the money to survive, and not have to continually prove entitlement is more likely to be a motivator than a de-motivator.

With enough money to survive, people find all sorts of meaningful things to do.

It is having time and no money to engage in interesting pastimes that is soul destroying. It also aggravates domestic abuse and crime.

By removing the welfare trap, everyone who can work is free to earn extra money.

[It's Immoral to Treat the Rich and Poor the Same](#)

Other people believe it is wrong to give the rich the same as the poor.

- *How terrible it would be if we let children go hungry and uneducated, just to pay rich people a UBI. Or those with severe health conditions or suffering frailty due to age or homelessness were deprived of adequate care and housing, because our tax money has been paid to every citizen, including millionaires and billionaires.*

Again, our approach addresses these specific concerns. The UBI would not be funded from the existing tax base or government debt. Also, it is intended to target the net benefit to those who need it most by offsetting the UBI against welfare benefits and recovering it in full from everyone who earns more than \$80,600 (and on a sliding scale below that).

It will Attract Freeloaders

Some people worry that:

- *You'd need secure borders to keep out people just wanting to freeload.*

This is not a real issue, as there are already plenty of reasons why people from poorer countries want to migrate to developed countries, with each country already having to manage immigration (legal and illegal).

People will Always Want More.

The concern is that it will become a political football

- *If we start giving out free money, everyone will just want more; pushing politicians to try to outbid each other by offering ever higher UBI. Or, if one political party puts it in, the other will roll it back, or use it as an excuse to gut welfare that goes to the neediest.*

This concern is addressed by having an independent Authority set up under its own charter to run the UBI, with no power to create money for any other purpose. And, by making its data and assumptions open for public scrutiny.

As for gutting welfare, the UBI would simply offset welfare. In fact, it would reduce the call on welfare services over time (as the UBI was increased) without detracting from anyone's entitlement – leaving more money to support those who really need it, such as disabled people and those in nursing homes.

It will Lead to Increased Wages and a Labour Shortage and Inflation

The concern is that a UBI will shift power from employers to employees

- *It will cause wage inflation as businesses will have to pay more to attract people, which will cause price inflation, which will negate the UBI.*
- *Or, worse, if people can afford to not work, who's going to provide the goods and services we need?*

While these concerns are valid. It could go the other way. As employers would no longer have to fund the full living expenses of employees.

Of course, it may quite fairly lead to higher pay for some of our worst jobs that the rest of us rely on, as demonstrated during the pandemic: cleaners and nurses aids, etc.

The economy cannot collapse due to extra wage demands in specific sectors.

In the end, the market will sort itself out.

Regardless, by starting small and increasing slowly any problems can be addressed as they emerge and before they become deep-seated. This can be done by simply halting any further increase until the problem has been addressed.

Job Guarantees, Training and Higher Minimum Wages are Better

This is often expressed as:

- *We need to repair our infrastructure and re-build and beautify our cities, and we need more doctors and nurses and teachers and engineers and others. We are better off guaranteeing jobs and skills development, including life skills (rather than guaranteeing income), and also increasing the minimum wage.*

Underpinning this approach is the idea that 'work provides meaning', which is true in some cases. However, the meaning for many is no more than it provides a way to earn the money required to survive. Obviously, much work that is not fulfilling still needs to be done for us all to enjoy the products (goods and services) produced. So, it is important to recognise:

If there is valuable public work and training to be done, it should be identified by the government and funded via tax and borrowings.

The main purpose of the UBI is to more fairly share the fruits of our production with the 50% of the population that cannot participate in paid work, to eliminate systemic poverty. Also, to partly recognise the enormous value contributed by unpaid carers, as well as to provide a base level of income insurance. No job guarantee, minimum wage or training can do this.

As well, under the proposed approach, the UBI also acts as an effective boost to low wages, without increasing business costs. This is potentially much more valuable than a small increase in the minimum wage which would be an imposition on small businesses.

Again, this is not to argue against public employment, minimum wages or training, just that they are not related to a UBI, nor can they solve the problems that the UBI addresses.

Though there are two ways of looking at a minimum wage:

One is that with a UBI we don't need a min wage as people can make their own choice about work and companies will have to pay to attract them. I'm inclined to this view, using the UBI to 'balance the labour market'. Though, it assumes markets work perfectly, and that all 'externals' (safety and environmental) are priced. Clearly these assumptions are not true in practice.

With a min wage we are saying that for anyone to work, they should get a minimum standard of living (above the basic). If a company cannot pay the minimum, the work goes undone and the resources are reallocated to an activity that can support the minimum.

If it means there are fewer jobs as a result, then the basic income can be raised until everyone who wants a job has one, and no jobs go unfilled.

[It's Impractical to have a Universal Payment When Circumstances Differ](#)

In every region of the country, costs, facilities, and opportunities vary

- *A UBI would never work in practice because the cost of living is very different in different places.*

By paying everyone the same, it removes any distortions that could be caused by differentiating between high and low-cost regions. This allows people to make their own choices about where they live and work, considering all the factors *they* regard as important. It's how welfare works now.

[It's Socialism \(or Communism\)](#)

This is mostly an ideological argument

- *Taking money from people who work and giving it to people who don't work, is socialism (or communism) which have all failed, e.g. Venezuela. It is capitalism alone that has lifted huge numbers of people out of poverty over the last 100 years, we just need to let it go on doing its magic.*

This is just based on a poor understanding of what Socialism and Communism are, and how Capitalism works. Capitalism requires money in the hands of the people to express their needs in the market; not in the hands of bureaucrats.

The failure of modern capitalism is not due to the failure of markets.

Markets work exceedingly well in creating, pricing and allocating *private* goods, services, and labour, *as long as there are many buyers and sellers, and the rules of the market are set and enforced to limit fraud, unequal bargaining-power and damage to the commons. Markets fail when governance fails.*

In any case, a UBI only impacts the demand side.

A UBI simply allows each person to signal their basic needs to producers.

How goods and services are produced under what type of system, at what price, and how the value-added in the process is shared between labour and capital, are all separate matters.

APPENDIX XVI: PROTECTING PRIVACY TO ENSURE UNIVERSALITY

This aspect of the proposal is likely quite contentious. It does not need to be put into place for the UBI to function, but it could help to ensure ‘universality’.

As every adult resident would be entitled to the UBI, everyone could be assumed to be receiving the UBI for tax and welfare purposes, so no one would need to know who you are when the money is paid.

For the sake of privacy, we should be able to open a UBI account with any bank in any name we like, without having to prove who we are.

This can be achieved using [self-sovereign identities](#), linked to the births, deaths, and immigration registries. Potentially, we could use encrypted bio-markers (perhaps fingerprints combined with a face scan and even an encrypted DNA) to ensure unique applicants.

When you apply for an account your self-sovereign ID attests to the fact that you are entitled to a UBI without giving any other information. You lodge your encrypted bio-maker, so that neither you nor anyone else can open another UBI account with the same bio-maker. This ensures one account per person, while maintaining complete privacy. No one could do a back-trace, as the encrypted data would be meaningless to them.

This requirement is especially important for women wishing to escape an abusive relationship. As soon as they escape, they can set up their own account in any name in a way that cannot be traced by their abuser.

There is also the contentious problem that many people don’t want to be found; not only people escaping abusive relationships, but also debtors escaping creditors, even criminals on the run. These are some of the reasons why people remain outside the welfare system, relying on charity, begging, and crime instead.

It is arguable that, if we decide to provide a basic living for everyone, we should do it without exception. If people behave in ways that are anti-social or criminal, we should deal with that behaviour as a separate issue. Taking away their capacity to live should not be an option. It just forces them to live on the outside when we really want them to be part of society.

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